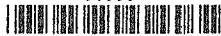


1027

GIDS Library

11555



1307.7209542 GIR

1
307.7209542
GIR

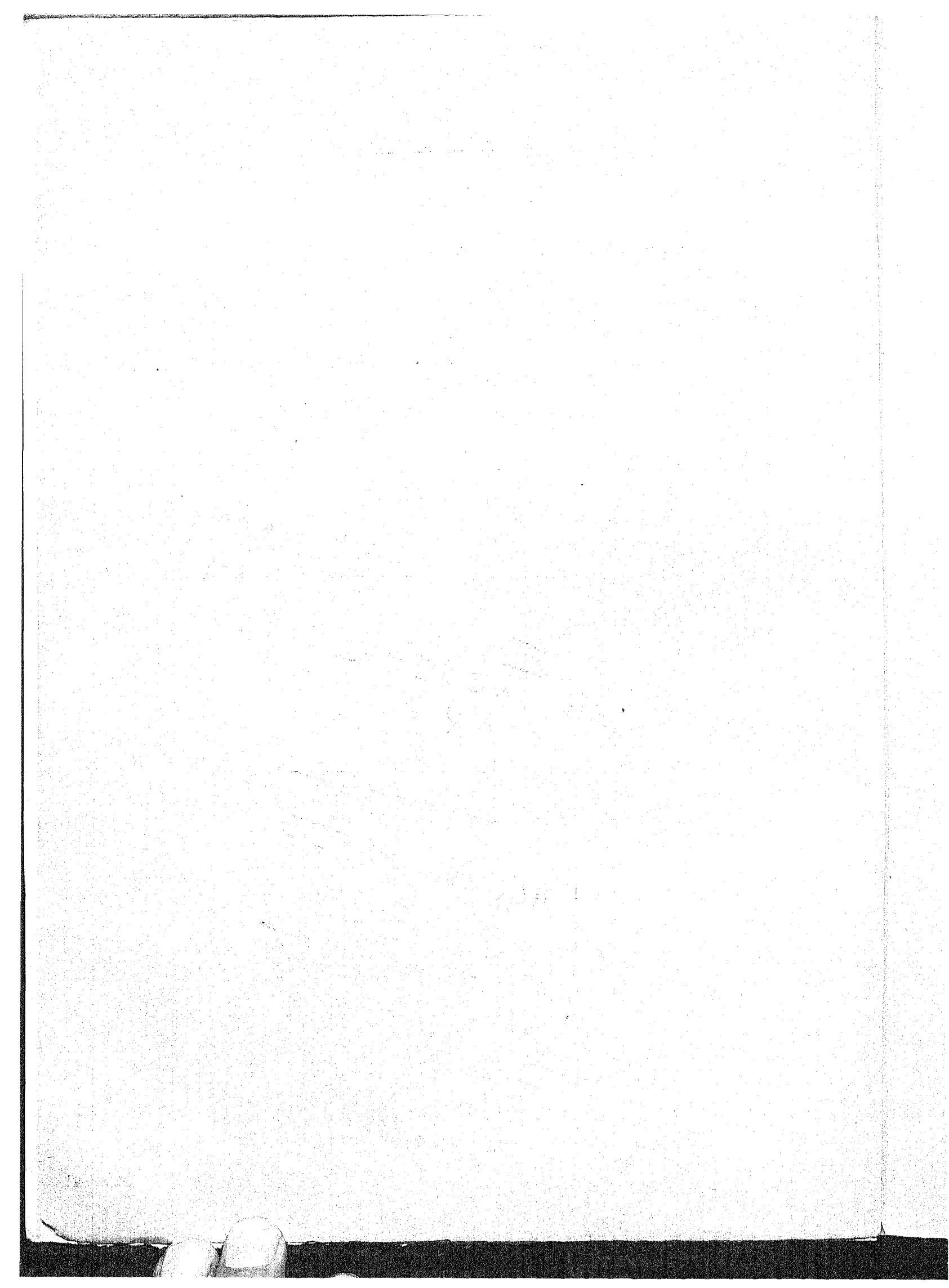
100

Acknowledgements

The present evaluation study of the ISB component of the IRD programme was carried out by the Institute in four districts, namely Almora, Azamgarh, Hamirpur and Muzaffarnagar, on the request of the Government of Uttar Pradesh, Department of Rural Development. The survey and tabulation work for the study was carried out by Sarva Sri B.S. Koranga, Chandra Singh, G.S. Kalakoti, H.N. Ojha, Mueen Ahmad, R.C. Srivastava, R.K. Verma, Shiv Pujan Singh and V.K. Awasthi. We are thankful for their sincere involvement in the tasks. Sri R.K. Verma has been especially helpful in organising the data collected from the field. The involvement of Sri D.K. Bajpai of the Institute for supervision of the field work and discussions with district/block level officials proved to be of great help to us. Our thanks are also due to Sri P.J. Devassy Kutty who typed the draft and final copies of the report. Lastly, we are grateful to the officials of DRDAs, blocks and DICs for their kind cooperation in making available the necessary data/information and facilitating the team members, without which the conduct of this study would have not been possible.

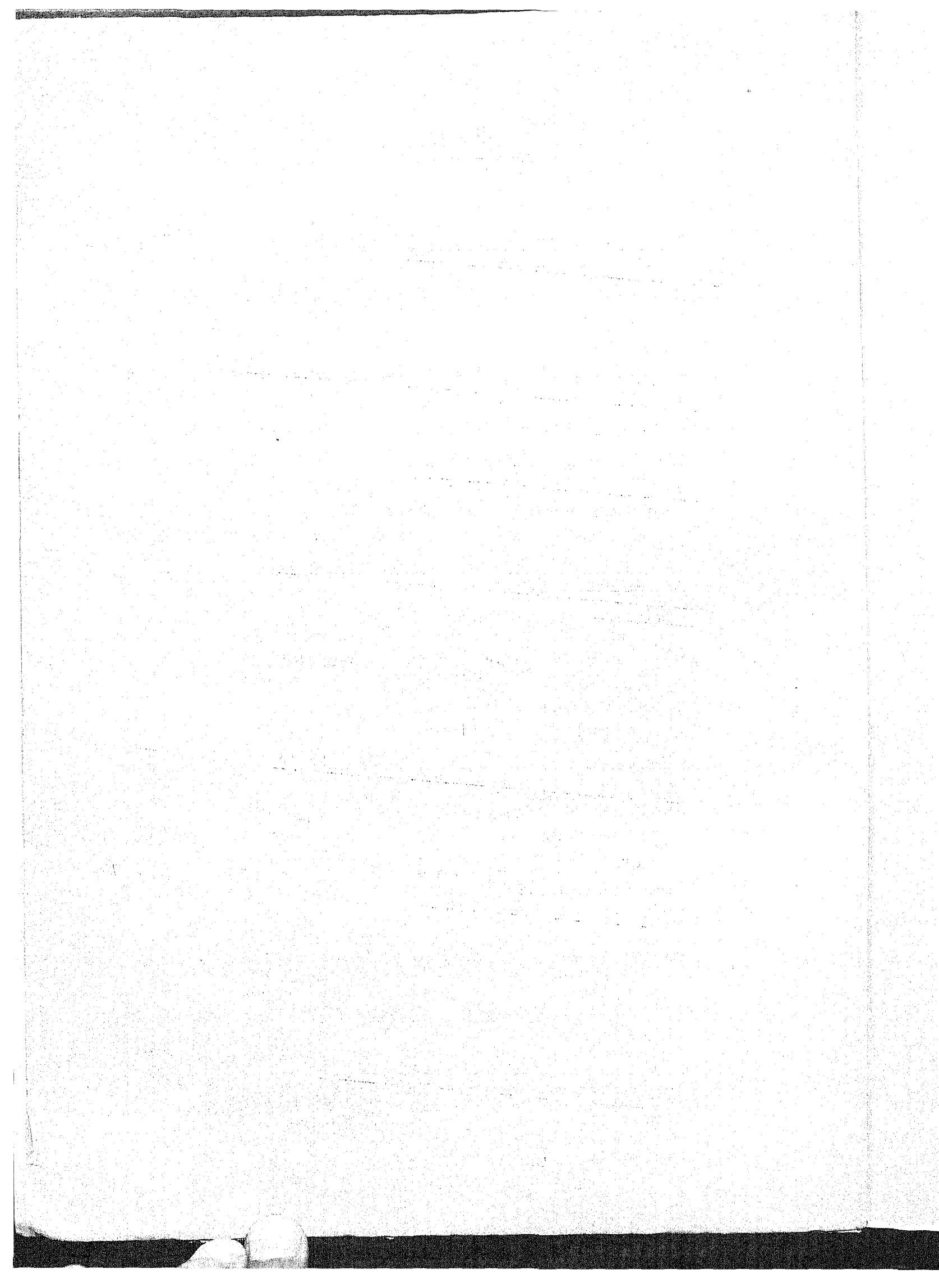
307. I 7209542
61R

ACC NO 11555



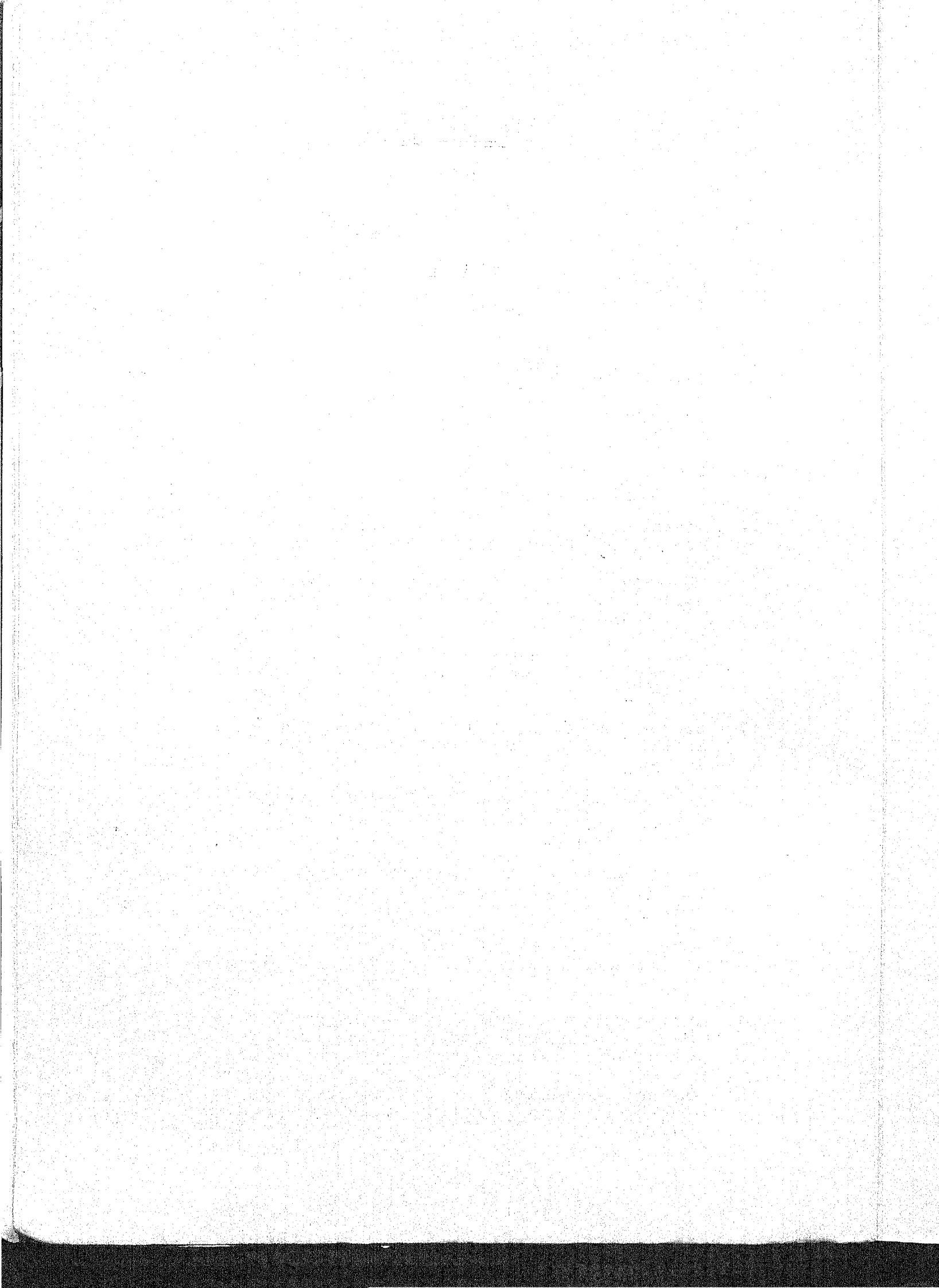
Contents

CHAPTER		Page
I	<u>The Problem and the Background</u>	1 - 13
	Background of IRDP; Importance of the ISB Component; Salient Features of ISB; The Present Study	
II	<u>Achievement of Financial and Physical Targets</u>	14 - 24
	State Level; District Level; Block Level	
III	<u>Selection of Beneficiaries</u>	25 - 31
	Issues; Income Levels of Beneficiary Families; Views of Officials	
IV	<u>Formulation of Projects and Availability of Finance</u>	32 - 41
	Administrative Arrangement; Amount of Loan for Individual Beneficiaries; Sanction of Loan Applied; Time Taken in Sanction of Loan; Sources of Loan; Adequacy of Loan and Working Capital; NABARD Guidelines and Sanction of Project Loans	
V	<u>Some Aspects of Project Administration</u>	42 - 48
	System of Monitoring; Fixation of Targets; Preparation of Model Schemes; Training of Beneficiaries	
VI	<u>Impact of the ISB Scheme</u>	49 - 74
	Activities Carried out by Sample Units; Amount of Investment; Employment in ISB Units; Linkages of ISB Units; Performance of the ISB Units; Change in Principal Occupation of the Beneficiaries; Changes in Incomes of the Beneficiary Families	
VII	<u>Conclusions and Recommendations</u>	75 - 85
	Selection of Beneficiaries; Project Formulation and Availability of Finance; Project Management; Infrastructural Support; Project Appraisal	



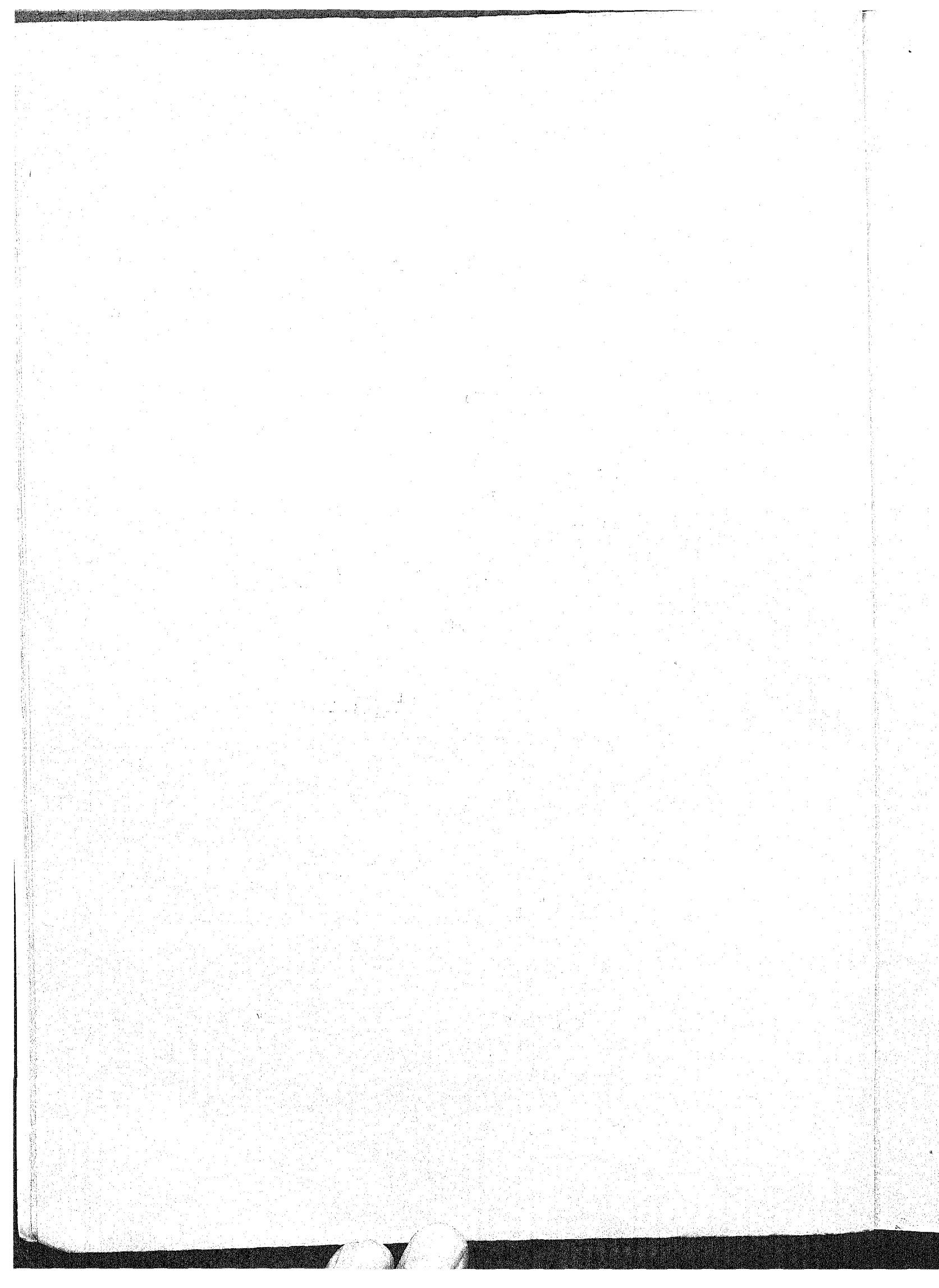
List of Tables

TABLE		Page
1.1	Villages and number of beneficiaries covered in survey of the selected blocks	12
1.2	Distribution of sample beneficiary families by ISB sectors and the year of assistance in selected blocks	13
2.1	Expenditure against available outlays under IRDP in Uttar Pradesh	14
2.2	Distribution of loan under IRDP in Uttar Pradesh	15
2.3	Families benefited under IRDP and ISB scheme in Uttar Pradesh	16
2.4	District-wise expenditure against available outlay under ISB scheme	17
2.5	Physical targets and achievements under ISB scheme in selected districts during the period 1982-85	18
2.6	Source-wise distribution of loan under ISB scheme in selected block during the period 1982-85	19
2.7	Sector-wise distribution of loan under ISB in the selected blocks during the period 1982-85	20
2.8	Sector-wise distribution of subsidy under ISB in the selected blocks during the period 1982-85	21
2.9	Physical targets and achievements under ISB scheme in selected blocks during the period 1982-85	22
2.10	Present status of ISB units established in the selected blocks during the period 1982-85	23
3.1	Distribution of sample beneficiaries of different blocks by family income groups and year of selection before ISB assistance	27
3.2	Average income levels of the sample beneficiary families in different income groups before taking the assistance under ISB	29

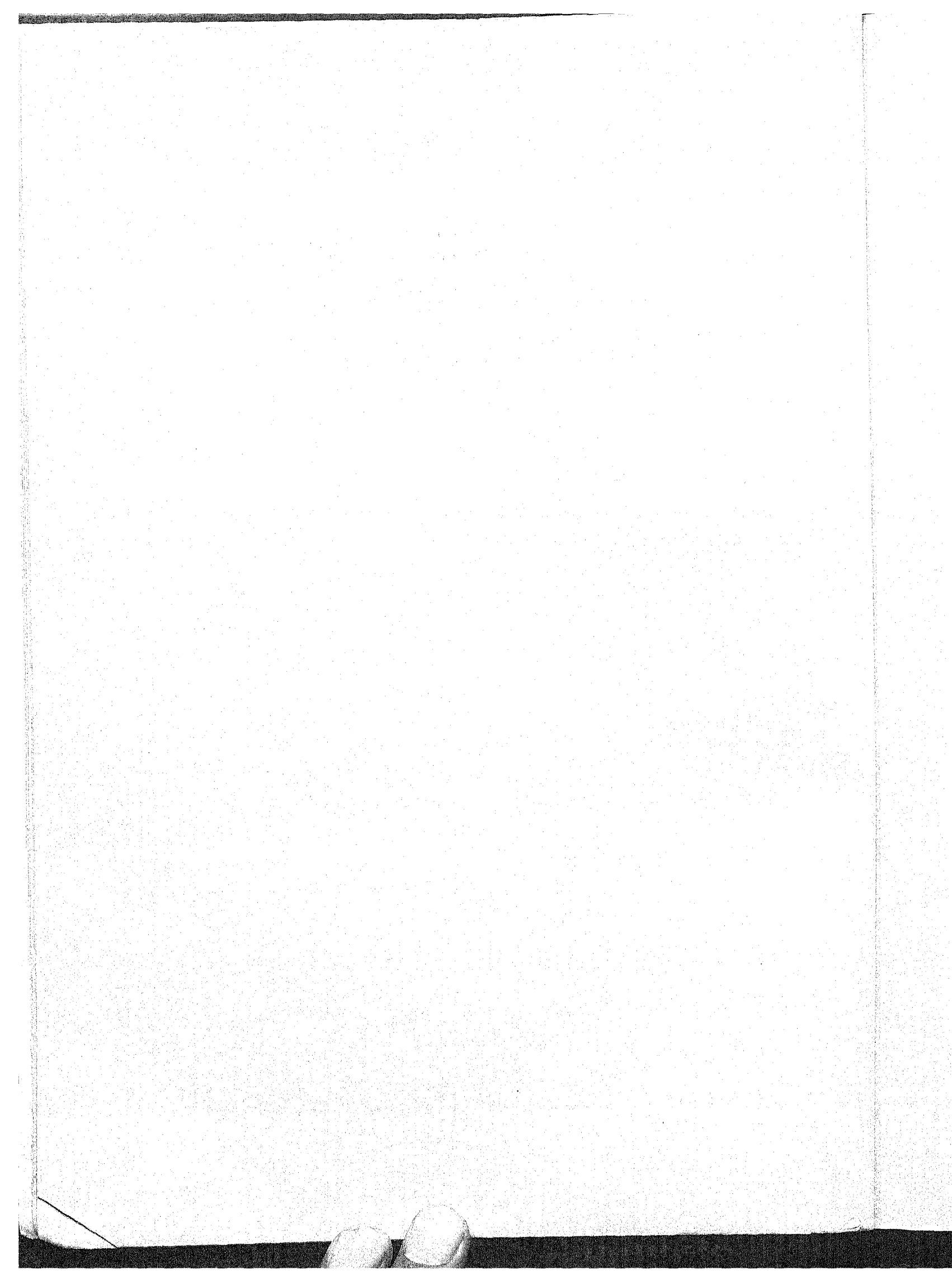


TABLES

	Page
4.1 Responses of beneficiary participants regarding the sanction of the amount of loan applied	34
4.2 Responses of beneficiary participants regarding the time taken in sanction of loan	36
4.3 Responses of beneficiary participants regarding the sources of loan taken	37
4.4 Responses of beneficiary participants regarding the adequacy of loan and working capital advanced	38
4.5 Follow-up of NABARD specifications for sanction of project cost	40
5.1 Marketing of goods produced/procured in the selected blocks during 1984-85	46
5.2 Problems and difficulties faced by the respondents	48
6.1 Distribution of sample units by sectors and nature of economic activities	50
6.2 Fixed capital expenditure and average annual running expenditure incurred by the sample ISB units	52
6.3 Number of persons employed in the ISB units	55
6.4 Distribution of capital and running expenditure incurred by the sample units of industrial and business sectors by places of expenditure	57
6.5 Number of sample ISB units distributed by period of operation during a year	60
6.6 Anticipated and actual production, and gross annual receipts of the ISB units	63
6.7 Change in principal occupations of the sample beneficiaries	65
6.8 Incomes of the beneficiary families before and after establishment of the ISB units	67



TABLES		Page
6.9	Distribution of beneficiary families by income groups before and after ISB assistance	69
6.10	Beneficiary families brought above the poverty line due to the ISB scheme	70
6.11	Levels and changes in incomes of the beneficiary families after establishment of ISB units	72



CHAPTER I

The Problem and the Background

Since the start of planning in India, the economic and social upliftment of the rural poor has been one of the major concerns of our planners and policy makers. The core of this problem lies in perpetuation of poverty, which grips a large section of people in rural areas even today and tends to weaken the intended process of improvement in living conditions of the people and development of the economy as a whole. Considerable importance is therefore attached to the Integrated Rural Development Programme (IRDP), which aims at making a direct attack on poverty and has been under implementation in the country since 1978-79. The 'Industry Business and Service' (ISB) scheme, with which we are concerned here, is one of the components of IRDP and aims at providing opportunities of income to the poor families, with a view to bringing them above the poverty line.

1. The Background of IRDP

During the first two decades of planning in India, the 'anti-poverty programmes' like MFAL, SFDA and IRDP were not launched for want of adequate resources on the one hand and an urgent need for rapid growth in production of essential goods and services on the other. By and large, all the development programmes till then were area oriented and asset based, emphasising at greater utilisation of material

resources. As such, the people having meagre resources had little or no access to benefits of development. During the Fourth Plan, certain beneficiary (or target group) oriented programmes like SFDA and MFAL were introduced. None of these programmes, however, covered the whole country. Further, more than one programme operated in an area for the same target group, involving multiplicity of agencies and different patterns of funding. The monitoring and accounting of these programmes therefore faced considerable difficulties, and their significance was reduced to distribution of subsidies only. Therefore, to minimise such organisational problems and evolve effective measures for alleviation of poverty, a proposal of Integrated Rural Development Programme was incorporated in the central budget of 1976-77, with a view to assisting the rural poor in deriving benefits from the developmental assets. The on-going Integrated Rural Development Programme which started in April 1978, is a modified version of the one proposed earlier.

Unlike the anti-poverty programmes conceived earlier, the IRDP envisages to provide all possible help and guidance to the target group on individual family basis for settling them in viable economic activities, and is being administered uniformly throughout the country. This programme covered 2300 blocks in the country in the year 1978-79, 2600 in 1979-80 and all the 5011 blocks from October 2, 1980. The IRDP blocks in Uttar Pradesh numbered 384 in 1978-79, 476 in

1979-80 and all the 885 blocks from October 2, 1980. The 'Industry, Service and Business' (ISB) is an important component of IRDP.

2. The Importance of the ISB Component

The IRDP is intended to provide opportunities of income to the rural poor in order to bring them above the poverty line. The suitability of economic activities to the beneficiaries however depends on their capabilities in terms of their command over the resources and skills required for carrying out these activities. It may be mentioned in this context that the hard core of poverty in the country is constituted by marginal farmers, rural labourers and artisans. The possibility of gainful employment of people in this group lies mainly in the non-agricultural sector. The ISB component of IRDP is expected to make substantial contribution in this direction, by settling the people in industrial, business and service sectors. The success of ISB component also implies a worthwhile increase in productive assets with the rural poor, as would be desirable for economic development with social justice.

3. Salient Features of ISB

The major tasks in the administration of ISB are identification of prospective beneficiaries; selection of economic activities in which the beneficiaries have to be settled and preparation of the model schemes; provision of financial

assistance to the beneficiaries; training of the beneficiaries; and follow-up, progress review and monitoring of the programme. These tasks involve coordinated working of different agencies in accordance with certain norms and procedures laid down by the Government, as summarised below.

3.1 Identification of Beneficiaries

The general criterion for eligibility of a household for getting financial assistance under IRDP as a whole is that its total annual income (or consumption expenditure) is below Rs.3500 per year. For the ISB component in particular, the beneficiaries have to be drawn from the following five categories of families :

- a) Marginal Farmers : having unirrigated land upto 2.5 acres (1.00 acre in DPAP areas), or class I irrigated land according to the land Ceiling Act upto 1.25 acre (0.50 acre in DPAP areas); and having household income from non-agricultural sources upto Rs.200 per month.
- b) Agricultural Labourers : deriving at least 50 per cent of the total household income from agricultural sources; and, if landless, having a per capita income of his family below Rs.60 per month.
- c) Non-Agricultural Labourers : deriving at least 50 per cent of the total household income from non-agricultural sources.
- d) Rural Craftsmen/Artisans; and

e) Engaged in Rural Trades/Services

Further in case of (c) and for (d) and (e), a family should have income from agricultural sources not exceeding Rs.200 per month if a landholder, or per capita income below Rs.60 per month if landless.

In the implementation of IRDP, it is deemed appropriate to adopt a cluster approach. For effective implementation of ISB it is therefore recommended that the beneficiaries are selected from such areas, in and around which some industrial nucleus already exists. Beside that, priority has to be given to scheduled caste and scheduled tribe households by ensuring their representation to a minimum of 50 per cent in the total number of beneficiaries.

The total number of beneficiaries to be identified under ISB component is 200 per block per year out of the annual target of 600 beneficiaries to be identified for IRDP. Of these 200 beneficiaries, at least 100 i.e. 50 per cent of the number for ISB, are required to be settled in the industrial sector activities. These ratios have to be observed at district level and, to the extent possible, also at block levels.

The identification of beneficiaries starts with listing of the families in the aforesaid categories by the VLW, after verification of the land records especially in case of farmers, and on the basis of his personal knowledge and consultation with Pradhan, Sarpanch and other representatives of

the village society. This list is finalised in consultation with the village council (Panchayat) and is signed by the BDO.

3.2 Selection of Economic Activities

For identification of the ISB activities within the industrial sector, the DIC is required to undertake an industrial potential survey. The possibility of finding potential industrial activities in rural areas is generally deemed to be in the sectors like (i) food products, (ii) tobacco and beverages, (iii) cotton textiles, (iv) textile products including readymade garments, (v) leather and leather products, (vi) ceramics, (vii) wood products, (viii) sericulture, (ix) handicrafts, (x) potteries, (xi) carpentry, and (xii) Blacksmithy. After the survey, the DIC has to prepare model schemes (operational profiles) of these activities, and send them to the lead bank for their approval. Finally, copies of the approved model schemes are sent to the BDO for further action.

So far as the activities in the business and service sectors are concerned, their identification is to be done by BDO himself. The business sector mainly represents shops, buying and vending of commodities like groceries, general merchandise, cloth, betel and cigarettes and foodgrains. Examples of the service sector activities are plying bullock carts, buggi's, cycle rickshaw and hand carts, or those of

hiring out other services to the people. Activities like repairs and maintenance workshops, tailoring shops, shoe repair unit and spice grinding units have also been placed under the service sector.

3.3 Financial Assistance

Financial assistance is provided to the beneficiaries in terms of loan and subsidy. While no upper limit is prescribed for the amount of loan, it may be understood that ISB sector activities are of relatively smaller size, as could be managed by the rural poor. The subsidy is paid to the beneficiary @ $33\frac{1}{3}$ per cent of the total cost of the unit financed as loan. However, for a scheduled caste or scheduled tribe beneficiary, the rate of subsidy is 50 per cent of the total cost. There is a ceiling of Rs.3000 on payment of subsidy. Further, if a loan is given only for working capital, as might be in cases of rural artisans and craftsmen, the subsidy is admissible upto Rs.1000.

The arrangement of providing financial assistance to the beneficiaries is such that they receive entire amount of loan sanctioned by banks and are liable to repay the same, net of the subsidy; the amount of subsidy is paid by the Government directly to the bank. The remaining amount of loan amount is recovered normally in a period of 3 years.

The procedure for providing financial assistance to the beneficiary is as follows. The BDO entertains loan applications

of the beneficiaries on prescribed forms and sends it to the lending bank along with his endorsement. The bank approves the case for loaning and informs the BDO and the beneficiaries accordingly. The BDO computes the total requirement of loan and subsidy on such applications and intimates the ADM(D)/DPO and the bank. The ADM(D)/DPO, on behalf of the DRDA, places the loan requirement to the bank, issues a cheque in favour of the bank on account of subsidy and intimates the BDO. The BDO gets in touch with the bank for sanction of loan and adjustment of subsidy in respect of individual beneficiaries. The beneficiaries thereby receive the loan.

3.4 Training of the Beneficiaries

In case the beneficiary takes up an industrial activity which requires some operational skill, he is to be provided a training. The training facility is generally made available under the TRYSEM programme to 40 beneficiaries per block in a year, and it is envisaged that 25 of them should be settled in industrial activities. There is a provision of stipend of Rs.125 per month to the trainee beneficiary. However, if the period of training is less than one month, the stipend is to be paid @ Rs.5 per day. In case the funds for training are not available from external sources, they are provided by the DRDA.

3.5 Follow-up, Progress Review and Monitoring

The main responsibility of implementation of ISB lies with DRDA, Block and DIC. The DRDA administers the programme

at district level with the involvement of the Block, DIC, banks as also the technical institutions which are expected to make available technical know-how and skills. The DIC, beside preparing model schemes, helps the beneficiaries of industrial sector in getting the loan and provides them necessary guidance. To see whether the economic conditions of the beneficiaries are improving or whether some of them need another dose of subsidy, the block agency has to keep regular contact with them.

The review of the progress of the programme is done with the help of monthly progress reports, sent by the DRDA to the State Government. Quarterly progress reports of IRDP are also required to be sent to the Government of India, along with certain key indicators, for consideration of the Central Cabinet and Planning Commission for assessment of progress and release of funds.

For reviewing the progress and monitoring of the ISB component, a sub-committee has been formed at the State level with Agricultural Production Commissioner as its Chairman, and Deputy Secretary, IRDP as the Member-Secretary. Similarly a sub-committee has also formed at the district level, constituted by the District Magistrate as Chairman with General Manager, DIC, Managing Director, Khadi and Gramodyog Board, Principal, Extension Training Centre, and Manager, Lead Bank as members, and ADM(D)/DPO or the Project Officer, DRDA, as Member-Secretary.

4. The Present Study

During the last three years, i.e. 1982-85 ending March 31, 1985, IRDP involved an expenditure of Rs.233.48 crores in the State, providing assistance to about 19 lakh families. The coverage of families under the ISB component during this period was of the order of 8.49 lakhs. Though there exists a system of progress review and monitoring of IRDP, the need for a closer examination of different aspects of the programme cannot be undermined. With this in view, on the request of the Government of Uttar Pradesh, this Institute carried out the present study of evaluation of ISB component of IRD Programme in the districts of Almora, Azamgarh, Hamirpur and Muzaffarnagar of the State.

4.1 Objectives

Specific areas of the study as indicated by the sponsoring agency consist of the following :

- a) Selection of Beneficiaries : Method and its Adequacy;
- b) Project Formulation and Finance : (i) Nature of project formulation - does it account for local needs and skills? (ii) per capita loaning pattern - does it conform to NABARD specifications and is adequate to meet the project requirements? (iii) Is the loan utilised for asset creation or for use as working capital? (iv) Is the ceiling of Rs.1000 on working capital subsidy acting as an obstacle in the conduct of business? (v) Is the credit mobilisation largely for business or for industry? and (vi) Pattern of grant and subsidy - is any modification needed?

c) Project Management : (i) Role of DIC - is technical guidance provided by them adequate? (ii) Nature of monitoring and follow-up - are Bank/District/Block officials involved to the desired extent? and (iii) Role played by technical institutions, e.g. polytechnics and ITI's in supply of know-how or trained manpower;

d) Infrastructural Support : (i) Nature and extent of backward and forward linkages - how could they be strengthened? (ii) Extent of training facilities available - is the quality of skills imparted adequate? and (iii) Do financial institutions extent credit for short term requirements of working capital? and,

e) Project Appraisal : (i) Level of physical and financial achievement in ISB sector - does it meet the state government's targets quantitatively and qualitatively? (ii) Ratio between 'industry', 'service' and 'business' sectors - are marked inter-sectoral disparities present? (iii) Loan component of each sector of ISB, (iv) System of monitoring and follow-up of ISB beneficiaries, and (v) Percentage success in the ISB sector in aiding the beneficiaries to cross the poverty line.

4.2 Methodology

The study involved collection of relevant data from official records and a survey of households having received financial assistance under ISB during the last three years, i.e. 1982-83, 1983-84 and 1984-85 in the selected districts. According to the terms of references of the study, 120-125 beneficiaries were

to be contacted for primary investigation in one block of each of the aforementioned districts. The selection of blocks was done purposively as areas of relatively greater concentration of ISB activities, in consultation with the district level officials. From each block, a few villages, which exhibited relatively greater concentration and an adequate representation of ISB activities were selected in consultation with BDO. The sample beneficiaries were identified randomly from these villages. The selected blocks and villages are listed below, along with number of sample beneficiaries (Table 1.1).

Table 1.1 : Villages and Number of Beneficiaries Covered in Survey of the Selected Blocks

Block (District)	Selected Villages	Beneficiaries (Number)
1. Hawalbagh (Almora)	1. Jeoli, 2. Badgal Bhatt, 3. Khoont, 4. Godhaul, 5. Matena, 6. Naula, 7. Deoli Khan, 8. Basar, 9. Gurna, 10. Mahatgaon, and 11. Syali Dhar	125
2. Rani ki Sarai (Azangarh)	1. Sethwal, 2. Gambhir Ban, and 3. Hasanpur	125
3. Maudaha (Hamirpur)	1. Artara, 2. Kunhata, 3. Bigahana, 4. Makraun, 5. Perchhach, and 6. Ragaul	125
4. Shamli (Muzaffarnagar)	1. Kudona, 2. Lank, 3. Kora Hathi 4. Banat, 5. Adampur, 6. Kheri Karmu, and 7. Lilon	125
TOTAL SAMPLE		500

The numbers of sample beneficiaries according to the industry, business and service sectors and years of getting financial assistance under ISB are shown in the Table 1.2.

Table 1.2 : Distribution of Sample Beneficiary Families by ISB Sectors and the Year of Assistance in Selected Blocks

Sector/year of assist- ance	(Number)									
	Hawal- bagh	Mau- daha	Rani ki Sarai	Shamli	All Blocks	Total SC/ST				
1. Industry										
1982-83	42	38	18	18	5	-	17	3	82	59
1983-84	22	21	5	5	8	8	15	2	50	36
1984-85	47	47	1	1	32	26	19	7	99	81
2. Business										
1982-83	2	-	5	3	12	2	-	-	19	5
1983-84	2	-	21	12	10	1	8	-	41	13
1984-85	5	-	26	14	27	7	17	3	75	24
3. Service										
1982-83	3	2	7	6	7	4	19	10	36	22
1983-84	2	-	22	4	10	5	15	13	49	22
1984-85	-	-	20	10	14	10	15	8	49	28
4. All Sectors										
1982-83	47	40	30	27	24	6	36	13	137	86
1983-84	26	21	48	21	28	14	38	15	140	71
1984-85	52	47	47	25	73	43	51	18	223	131
5. All Years										
Industry	111	106	24	24	45	34	51	12	231	176
Business	9	-	52	29	49	10	25	3	135	42
Service	5	2	49	20	31	19	49	31	134	72
All Sectors and Years	125	108	125	73	125	63	125	46	500	290

CHAPTER II

Achievements of Financial and Physical Targets

1. State Level

Although ISB is one of the important components of IRD Programme, the figures of expenditure on this component are not reported separately at the state level. However, the expenditure pattern of IRDP for the period 1982-85 indicates that a slightly higher than 76 per cent of the total available outlay was spent on IRDP in the state during this period, as would be evident from the following table.

Table 2.1 : Expenditure Against Available Outlays
Under IRDP in Uttar Pradesh

(Rs. lakh)

Year (0)	Available outlay (1)	Expenditure (2)	Balance (3)	Expenditure on SC/ST (4)
1982-83	8845.49	6545.21 (73.99)	2300.28 (26.01)	2147.65 (32.81)
1983-84	10273.40	7559.11 (73.58)	2714.29 (26.42)	3005.75 (39.76)
1984-85	11589.24	9244.04 (79.76)	2345.20 (20.24)	4127.31 (44.65)
Combined	30708.13	23348.36 (76.03)	7359.77 (23.97)	9280.71 (39.75)

Note : Figures given in parentheses of columns 2 and 3 are percentages of column 1 and those given in column 4 are percentages of column 2.

Source : Department of Rural Development, Government of U.P.
Lucknow

Moreover, about 40 per cent of the total expenditure on IRDP was utilised for bringing about an improvement in the socio-economic status of scheduled caste and scheduled tribes.

Another gap in data availability at the state level pertains to the distribution of loan under ISB sector of IRD programme. However, analysing the pattern of loan distribution under IRD for the last three years we notice that commercial banks played a pivotal role in the advancement of loans to the beneficiary participants under IRD programme (Table 2.2).

Table 2.2 : Distribution of Loan Under IRDP in U.P.

Year (O)	Cooperative Bank (1)	Commercial Bank (2)	Total (Rs. lakh) (3)
1982-83	5335.64 (33.19)	10740.84 (66.81)	16076.48 (100.00)
1983-84	5061.05 (26.36)	14138.79 (73.64)	19199.84 (100.00)
1984-85	4265.81 (20.01)	17055.34 (79.99)	21321.15 (100.00)
Combined	14662.50 (25.91)	41934.97 (74.09)	56597.47 (100.00)

Note : Figures given in parentheses of columns 1 and 2 are percentages of column 3.

Source : Department of Rural Development, Government of U.P., Lucknow.

A slightly higher than 74 per cent of the total loan distributed under IRD was advanced by the commercial banks and the rest only 26 per cent by cooperative banks.

It is heartening to note that out of the total families benefited under IRDP in the state during whole of the period 1982-85, 45 per cent were covered by ISB sector, against the target of about 33 per cent. Moreover, as shown in the following

table, the representation of scheduled castes/scheduled tribes families in the total number of beneficiaries of ISB during this period was about 46 per cent, which is slightly lower than the fixed target of 50 per cent.

Table 2.3 : Families Benefited Under IRDP and ISB Scheme in U.P.

(Number)

Year O	I R D			I S B		
	SC/ST 1	Others 2	Total 3	SC/ST 4	Others 5	Total 6
1982-83	236511 (42.56)	319236 (57.44)	555747	92123 (43.83)	118082 (56.17)	210205 (37.82)
1983-84	284711 (44.26)	358561 (55.74)	643272	135870 (45.03)	165881 (54.97)	301751 (46.91)
1984-85	332111 (47.79)	362840 (52.21)	694951	160867 (47.78)	175783 (52.22)	336650 (48.44)
Combined	853333 (45.06)	1040637 (54.94)	1893970	388860 (45.82)	459746 (54.18)	848606 (44.81)

Note : Figures given in parentheses of columns 1 and 2 are percentages of column 3 and those given in columns 4 and 5 are percentages of column 6. The corresponding figures in column 6 are percentages of column 3.

Source : Department of Rural Development, Government of U.P.
Lucknow.

The above achievements deserve special mention on two counts. First, the proportionate coverage of families under ISB sector to its total under IRDP always exceeded the fixed target of 33 per cent. Second, about 46 per cent representation of scheduled caste/scheduled tribes families in both ISB sector as well as total IRDP, though slightly lower than the target, may be considered to be moderately high.

2. District Level

The pattern of expenditure against the available outlay under ISB sector in the selected districts suggests two opposed kinds of situations. On one hand, we notice a shortfall in actual expenditure of the available outlay under ISB sector in the selected districts of Almora and Azamgarh (Table 2.4).

Table 2.4 : District-wise Expenditure Against Available Outlay under ISB Scheme

District	1982-83		1983-84		1984-85		Combined	
	Avail- able outlay	Expen- diture	Avail- able outlay	Expen- diture	Avail- able outlay	Expen- diture	Avail- able outlay	Expen- diture
0	1	2	3	4	5	6	7	8
Almora	30.80	15.89	30.80	25.61	30.80	17.98	92.40	59.48 (64.37)
Azamgarh	98.83	36.61	93.62	83.03	96.95	88.30	289.40	207.94 (71.85)
Hamirpur	15.89	22.47	15.89	54.16	15.89	61.67	47.67	138.30 (290.12)
Muzaffarnagar	45.48	136.00	53.13	284.71	60.71	450.01	159.32	870.72 (546.52)
Combined	191.00	210.97	193.44	447.51	204.35	617.96	588.79	1276.44 (216.79)

Note : Figures given in parentheses of column 8 are percentages of column 7.

Source : DRDAs of the Selected Districts.

On the other hand, in case of Hamirpur and Muzaffarnagar district, the amount of expenditure was 3 to 5 times higher than the available outlay. According to the DRDAs concerned, the transfer of unutilised outlay of other sectors of IRDP to ISB sector for maximum possible utilisation of the IRDP funds timely

was the main reason of the unusually high expenditure on this sector in these two districts.

As to the physical targets and achievements we notice that the number of families benefited under ISB sector was comparatively low in Almora and Azamgarh district (Table 2.5).

Table 2.5 : Physical Targets and Achievements Under ISB Scheme in Selected Districts During the Period 1982-85

District	Target	(Number of ISB Units)		
		Total	SC/ST	
	0	1	2	3
Almora	10000	5735 (57.35)	1991 (34.72)	
Azamgarh	24291	21010 (86.49)	10887 (51.82)	
Hamirpur	7920	12669 (159.96)	5896 (46.54)	
Muzaffarnagar	16492	66944 (405.92)	25330 (37.84)	
Combined	58307	106358 (182.41)	44104 (41.47)	

Note : Figures given in parentheses of column 2 are percentages of column 1 and those in column 3 are percentages of column 2. *11555*

Source : DRDAs of the Selected Districts.

There was a shortfall in achievement of physical targets by 42.65 per cent in Almora and 13.51 per cent in Azamgarh. But the corresponding achievement in the other two districts, i.e. Hamirpur and Muzaffarnagar was noticed to be appreciably high, probably because of high expenditure on the ISB sector. Further, representation of the scheduled caste/scheduled tribes in the total number of families benefited under this sector during whole

of the reference period was approximately 41 per cent against the total target of 50 per cent.

3. Block Level

Out of the total loan advanced to beneficiary participants under ISB sector in the selected blocks during the period of the study, as much as about 81 per cent was arranged through commercial banks, as would be evident from the following table.

Table 2.6 : Source-wise Distribution of Loan under ISB Scheme in Selected Blocks During the period 1982-85

(Rs. lakh)

Selected Blocks 0	Source of Loan		Total 3
	Cooperative Bank 1	Commercial Bank 2	
1. Hawalbagh	6.02 (16.50)	30.47 (83.50)	36.49 (100.00)
2. Maudaha	6.98 (16.35)	35.72 (83.65)	42.70 (100.00)
3. Rani ki Sarai	3.09 (24.27)	9.64 (75.73)	12.73 (100.00)
4. Shamli	11.83 (20.25)	46.58 (79.75)	58.41 (100.00)
Combined	27.92 (18.57)	122.41 (81.43)	150.33 (100.00)

Note : Figures given in parentheses of columns 1 and 2 are percentages of column 3.

Source : Records of the Selected Blocks

The amount of total loan advanced was found to be the highest (Rs.58.41 lakhs) in Shamli block of Muzaffarnagar district and the lowest (Rs.12.73 lakhs) in Rani ki Sarai of Azamgarh district. Besides, the percentage of the total loan advanced through cooperative sector was approximately 19 only, with a gradual reduction from 28.05 per cent in 1982-83 to 22.20 per cent in 1983-84 and 11.94 per cent during 1984-85.

So far as inter-sectoral pattern of loan distribution is concerned, we notice that the proportion of loan advanced for establishing business/service units in all the selected blocks during the reference period was as high as about 66 per cent and that for setting up industrial units was about 34 per cent only (Table 2.7).

Table 2.7 : Sector-wise Distribution of Loan Under ISB in the Selected Blocks During the Period 1982-85

(Rs. lakh)

Selected Blocks	Distribution of Loan		Total
	Industry	Business/ Service	
0	1	2	3
Hawalbagh	29.65 (80.59)	7.14 (19.41)	36.79 (100.00)
Maudaha	8.76 (20.52)	33.94 (79.48)	42.70 (100.00)
Rani ki Sarai	4.10 (32.21)	8.63 (67.79)	12.73 (100.00)
Shamli	9.20 (15.75)	49.21 (84.25)	58.41 (100.00)
Combined	51.71 (34.33)	98.92 (65.67)	150.63 (100.00)

Note : Figures given in parentheses of columns 1 and 2 are percentages of column 3.

Source : Records of the Selected Blocks.

However, the sectoral distribution of loan in the selected blocks suggests that about 81 per cent of the total loan advanced to beneficiary participants under ISB sector was utilised for setting up industrial units in Hawalbagh of Almora district during the period 1982-85, whereas the corresponding figure was below 35 per cent in rest of the selected blocks.

Turning to the aspect of subsidy, we notice that proportion of the total subsidy disbursed under ISB sector for business/service units in the selected blocks taken together during the reference period was as high as about 67 per cent, as shown in the following table.

Table 2.8 : Sector-wise Distribution of Subsidy Under ISB in the Selected Blocks During the Period 1982-85

Selected Blocks	Distribution of subsidy		(Rs. Lakh) Total	
	Industry	Business/ Service		
	0	1	2	3
Hawalbagh	9.98 (81.74)	2.23 (18.26)	12.21 (100.00)	
Maudaha	3.37 (22.91)	11.34 (77.09)	14.71 (100.00)	
Rani ki Sarai	3.22 (35.90)	5.75 (64.10)	8.97 (100.00)	
Shamli	3.04 (13.37)	19.69 (86.63)	22.73 (100.00)	
Combined	19.61 (33.45)	39.01 (66.55)	58.62 (100.00)	

Note : Figures given in parentheses of columns 1 and 2 are percentages of column 3.

Source : Records of the Selected Blocks.

Whereas the corresponding proportion of subsidy disbursed for setting up industrial units was about 33 per cent only, it was the highest (81.74 per cent) in Hawalbagh and the lowest (13.37) in Shamli block as against 22.91 per cent and 35.90 per cent in Maudaha and Rani ki Sarai blocks.

Regarding the training programme, we observe that the target of providing training to 40 persons under ISB sector in each block annually was fully achieved in Hawalbagh and

Shamli blocks. However, a severe shortfall is noticed in achievement of this target in Maudaha and Rani ki Sarai blocks.

Referring to the physical achievement, we notice that the total number of families, who started ISB units in all the four selected blocks during the period 1982-85, was slightly higher than the double of the targets, as would be clear from the following table.

Table 2.9 : Physical Targets and Achievements Under ISB Scheme in the Selected Blocks During the Period 1982-85

(Number of ISB Units)

Blocks	Target 0	Achievement 1	Total		SC/ST 3
			2		
Hawalbagh	600	562	(93.67)	419	(74.56)
Maudaha	600	1273	(212.17)	599	(47.05)
Rani ki Sarai	600	1240	(206.67)	816	(76.26)
Shamli	600	4492	(748.67)	1705	(37.96)
Combined	2400	7567	(315.29)	3539	(46.77)

Note : Figures given in parentheses of column 2 are percentages of column 1 and those recorded in column 3 are percentages of column 2.

Source : Records of the Selected blocks.

Moreover, the proportion of scheduled caste families covered under ISB programme in these blocks during the period under review was about 47 per cent as against the target of 50 per cent. The corresponding proportion was the highest (76.26 per cent) in Rani ki Sarai followed by 74.56 per cent in Hawalbagh, 47.05 per cent in Maudaha and 37.96 per cent in Shamli block.

Finally, regarding the present status of the industrial units set up in the selected blocks during the reference period, about 79 per cent of them were found to be viable and functioning, about 15 per cent functioning but not viable and the rest about 6 per cent had ceased to function. On the other hand, in respect of business/service units about 85 per cent were viable and functioning, about 10 per cent functioning but not viable and the rest 5 per cent not functioning at all (Table 2.10).

Table 2.10 : Present Status of ISB Units Established in the Selected Blocks During the Period 1982-85

Selected Blocks	Viable and functioning	Functioning but not viable	Closed	(Number/Unit)	
				0	1
<u>Hawalbagh</u>					
i. Industry	368 (81.60)	67 (14.86)	16 (3.54)	451 (100.00)	
ii. Business/Service	91 (82.73)	16 (14.55)	3 (2.72)	110 (100.00)	
Total	459 (81.82)	83 (14.80)	19 (3.38)	561 (100.00)	
<u>Maudaha</u>					
i. Industry	98 (90.74)	6 (5.56)	4 (3.70)	108 (100.00)	
ii. Business/Service	1147 (98.45)	13 (1.12)	5 (0.43)	1165 (100.00)	
Total	1245 (97.80)	19 (1.49)	9 (0.71)	1273 (100.00)	
<u>Shamli</u>					
i. Industry	195 (70.14)	56 (20.14)	27 (9.72)	278 (100.00)	
ii. Business/Service	662 (69.98)	189 (19.98)	95 (10.04)	946 (100.00)	
Total	857 (70.02)	245 (20.02)	122 (9.96)	1224 (100.00)	

Contd.

Table 2.10 (contd.)

	0	1	2	3	4
<u>Combined</u>					
i. Industry	661 (78.97)	129 (15.41)	47 (5.62)	837 (100.00)	
ii. Business/Service	1900 (85.55)	218 (9.82)	103 (4.63)	2221 (100.00)	
Total	2561 (83.75)	347 (11.35)	150 (4.90)	3058 (100.00)	

Note : Figures given in parentheses denote percentages of row totals. The data on this aspect pertaining to Rani ki Sarai block was not made available.

Source : Records of the Selected Blocks.

Thus, the performance of business/service units is much better than those of industrial units. In an aggregative term, we find that about 84 per cent of the total ISB units are functioning and viable, about 11 per cent are although functioning but not viable and the remaining 5 per cent do not function at all.

CHAPTER III

Selection of Beneficiaries

1. Issues

The issues which seem to be relevant in connection with selection of beneficiaries comprise : (i) whether the number of beneficiaries selected for assistance under the ISB component was adequate? (ii) whether the representation of the scheduled caste and scheduled tribe (SC/ST) families among the beneficiaries was adequate? (iii) Whether the procedure laid down for selection of beneficiaries was followed? and (iv) whether the selected beneficiaries actually belonged to the target group? The findings relating to the first two questions have already been discussed in the previous chapter. Regarding the third question, we found that the procedure adopted for selection of the beneficiaries was the same as laid down in the guidelines. Since the beneficiaries are identified in the meeting of the committee at the village level with an effective involvement of block officials and Village Pradhan, a further examination of the selection procedure does not seem to be necessary in the present context. It is, however, relevant to add that presence of Lekhpal in such meetings is invariably needed to have correct knowledge of land ownership with individual households. Further, to examine the last question as to whether the selected beneficiaries actually belonged to the target group (i.e. the families having their annual incomes below Rs.3500), we have worked out the income estimates of individual sample beneficiary families and

have also held discussions with district and block level officials to seek their views on this issue.

2. Income Levels of Beneficiary Families

In order to have an idea of the income level of the beneficiary families, an inquiry was made with them regarding the quantity and value of major agricultural crops^{1/} and livestock products,^{2/} expenditure incurred in carrying out agricultural and animal husbandry activities, and net income from any other family enterprises, wages and in remittances. The income of a family was computed as value of production from family enterprises including agriculture and animal husbandry minus the paid out costs plus incomes from wages and in-remittances in the year before getting any financial assistance under ISB. Although these estimates of household incomes are based on a crude method it is considered to be more than sufficient to serve our limited purpose in the present context.

The table 3.1 shows the distribution of sample beneficiaries of different blocks by family income groups and year of receiving financial assistance under ISB. It is seen that the percentage of beneficiaries having an annual family income of Rs.3500 or more comes to 68.0 for Rani ki Sarai block (Azamgarh), followed by 56.0, 37.6 and 4.8 in cases of Shamli (Muzaffarnagar), Hawalbagh (Almora) and Maudaha (Hamirpur) respectively as against

^{1/}Rice, jowar, bajra, maize, wheat, barley, other cereals, pulses, sugarcane, potato and other crops

^{2/}Milk, egg, meat, wool, bristles, animals and birds.

Table 3.1 : Distribution of sample beneficiaries of different blocks by family income groups and year of selection before ISB Assistance

Block/Per family annual income group (Rs)	(Number)			
	1982-83	1983-84	1984-85	All Years
<u>Hawalbagh</u>				
Below 3500	32 (68.1)	17 (65.4)	29 (55.8)	78 (62.4)
3500-5000	5 (10.6)	5 (19.2)	7 (13.4)	17 (13.6)
5000 +	10 (21.3)	4 (15.4)	16 (30.8)	30 (24.0)
Total	47	26	52	125
<u>Maudaha</u>				
Below 3500	27 (96.4)	43 (91.5)	49 (98.0)	119 (95.2)
3500-5000	1 (3.6)	4 (8.5)	1 (2.0)	6 (4.8)
5000 +	-	-	-	-
Total	28	47	50	125
<u>Rani ki Sarai</u>				
Below 3500	10 (41.7)	11 (37.9)	19 (26.4)	40 (32.0)
3500-5000	5 (20.8)	6 (20.7)	24 (33.3)	35 (28.0)
5000 +	9 (37.5)	12 (41.4)	29 (40.3)	50 (40.0)
Total	24	29	72	125
<u>Shamli</u>				
Below 3500	16 (44.5)	9 (48.7)	30 (58.8)	55 (44.0)
3500-5000	17 (47.2)	15 (38.5)	15 (29.4)	47 (37.6)
5000 +	3 (8.3)	14 (35.9)	6 (11.8)	23 (18.4)
Total	36	38	51	125

contd.

Table 3.1 (contd.)

Block/per family annual income group (Rs)	1982-83	1983-84	1984-85	All Years
<u>All Blocks</u>				
Below 3500	85 (63.0)	80 (57.1)	127 (56.4)	292 (58.4)
3500-5000	28 (20.7)	30 (21.4)	47 (20.9)	105 (21.0)
5000 +	22 (16.3)	30 (21.4)	51 (22.7)	103 (20.6)
GRAND TOTAL	135	140	225	500

Note : Figures in parentheses show percentage to the corresponding totals.

Source : Direct Enquiry.

41.6 for the total sample size. The annual income levels of such families averaged to about Rs.5900 for Hawalbagh and Rani ki Sarai each, about Rs.5000 and Rs.4250 for Shamli and Maudaha respectively, and Rs.5540 taking all the four blocks together.

This figure in case of the remaining families having annual incomes below Rs.3500 showed variation from Rs.1980 (Maudaha) to Rs.2525 (Shamli), giving an overall average of Rs.2253 (Table 3.2).

Table 3.2 : Average Income Levels of the Sample Beneficiary Families in Different Income Groups Before Taking Assistance under the ISB

Per family income group (Rs/annum)	Hawalbagh	Maudaha	Rani ki Sarai	Shamli	All Blocks	(Rs. per annum)
1. Below 3500	2413	1980	2380	2525	2253	
2. 3500-5000	3978	4246	3988	4245	4116	
3. 5000 or more	6935	*	7136	6529	6991	
4. 3500 or more (2 & 3)	5866	4246	5899	4996	5540	
All Groups	3711	2089	4773	3909	3620	

* Not applicable

Source : Direct Enquiry

It is thus evident that a significant proportion of the beneficiaries covered under ISB in each of the blocks Rani ki Sarai, Shamli and Hawalbagh did not actually belong to the 'target group'.

3. Views of the Officials

The officials were in agreement with the finding, stated above. According to them, firstly, the beneficiaries did actually belong to the specified categories namely marginal farmers, agricultural and non-agricultural labourers, rural artisans and families engaged in rural trade or business. But it could not be possible to make a correct assessment of their family income levels. Judgement was generally taken to consider a particular family above or below the mark of Rs.3500 with the help of some convenient criteria. For instance, a family of which a member was an employee, was not listed among prospective beneficiaries. But then, the possibility of selection of better off families

could not be ruled out. Secondly, the officials regarded the identification of a minimum 200 families from the specified income group every year as a difficult task, because such families were not coming forward in adequate numbers to participate in the programme. The officials attributed the situation to lack of demand for goods and services which the beneficiaries are generally expected to produce in rural areas, lack of organised marketing facility and also lack of risk bearing capacity among the rural poor. Therefore, in spite of a highly subsidised assistance being available, the people belonging to the bottom income group were hesitant to come forward.

If the above conclusion is true, one would expect a gradual decline in the proportion of beneficiary families having annual incomes below Rs.3500. As would be evident from Table 3.1 above over the reference period 1982-83 to 1984-85, the percentage of such beneficiaries declined from 41.7 to 26.4 in Rani ki Sarai and from 68.1 to 55.8 in Hawalbagh block. The sample from Maudaha block (Hamirpur) shows a satisfactory proportion of such beneficiaries ranging from 91.5 per cent to 98 per cent. An increase in this figure was found in case of Shamli (Muzaffarnagar) only from 44.5 to 58.8. Taking all the block together we find that the percentage of beneficiaries below Rs.3500 of annual family incomes declined from 63.0 to 56.4 per cent, that corresponding to the income group of Rs.3500-5000 remained unchanged at around 21 per cent, and that in the group of Rs.5000 or more increased from 16.3 to 22.7 per cent from the year 1982-83 to 1984-85. Thus there is an indication

of a shift in the proportion of beneficiaries in favour of those having annual family incomes of Rs.3500 or more during the reference period.

This kind of a shift may be associated with problems relating to organisation of the programme as well as lack of consciousness among the people. It may be noted here that, first, in none of the selected blocks, the marketing and input supply centres were established. No doubt, if marketing centres can be made available, the hesitation on the part of the poor people to participate in the programme will get reduced. Second, identifying beneficiaries strictly from within the specified income group has really been difficult for the block officials due to lack of resources and expertise. But then, since the beneficiaries are finally selected by Gram Pradhan or Sarpanch, it also becomes the responsibility of the village leadership to ensure proper selection of beneficiaries with the help of their own knowledge about economic conditions of the people on the one hand, and to encourage them to participate in the programme on the other.

CHAPTER IV

Formulation of Projects and Availability of Finance

1. Administrative Arrangement

In practice, the District Rural Development Agency (DRDA) looks after the coordination work of IRD programme at the district level. The responsibility of formulating ISB projects lies directly on the General Manager, District Industries Centres (DICs) and Block Development Officers. The former in consultation with the lead banks formulates the projects of industrial sector while those of business and service sectors are formulated by the latter. As envisaged in the programme, industrial potential surveys were carried out by the DICs in each of the selected districts, based on which projects of small scale industries were formulated, considering the availability of raw materials, local skills and marketing facilities. Copies of these projects are circulated among the Block Development Officers, who, in turn, carry out mass publicity of these industrial schemes as well as projects of business/service sectors, among the villagers through the block level functionaries and invite applications in triplicate from the villagers for approval and sanction of finance for the projects suited to their background and capabilities. One copy of each of these applications is retained at the block level, the second copy is sent to DRDA for information and the third one goes to the bank for sanction of loan.

An interesting finding based on our primary investigations in the above context is that the industrial units, which have been established in the selected areas, are generally of traditional type consisting of carpentry, blacksmithy, ban making, basket making, shoe making, tailoring, etc. There are only few new projects which have come up as a result of introducing ISB scheme. The projects of small scale industries circulated by DICs are often disregarded by the villagers because of two basic reasons. First, they require a higher order of investment resulting in financial constraints, and the second, villagers generally lack managerial capabilities to handle such projects. On the other hand, projects of business and service sectors, which are prepared by the Block Development Officers, are mostly accepted by the villagers mainly because they require small amounts of investment and lower order of skills and capabilities.

2. Amount of Loan for Individual Beneficiaries

Due to the reasons cited above, the total amount of loan advanced for individual projects constituting our sample size never exceeded Rs.5000 in any case. Specifically, against the total sample size of 500, the persons who were sanctioned loan upto Rs.1500 were 27.6 per cent and those sanctioned loans between Rs.1500 and Rs.3000 were 38.2 per cent and the remaining 34.2 per cent got loans ranging from Rs.3000 to Rs.5000. Persons prefer loans of these sizes mainly because banking institutions generally take a longer period in sanction of loan exceeding Rs.5000 and its procurement by beneficiaries is delayed

unnecessarily. This way the whole process of loan sanction becomes cumbersome as well as time consuming. Because of this as well as lack of skills and capabilities among the beneficiaries, most of the industrial units, which have been established under IISB sector, are basically of traditional type and only few of them are from the list of small scale industries circulated among Block Development Officers by DICs.

3. Sanction of Loan Applied

So far as the sanction of the amount of loan applied is concerned, it is clear from the following table that about 90 per cent of the total beneficiary participants were sanctioned exactly the same amount of loan which they had applied for.

Table 4.1 : Responses of Beneficiary Participants
Regarding the Sanction of the Amount
of Loan Applied

(Responses)

Sl. No. Selected Blocks	Sanctioned the amount of loan applied					Sanctioned less than the amount of loan applied					Combined				
	I	B	S	T		I	B	S	T	I	B	S	T		
0	1	2	3	4	5	6	7	8	9	10	11	12	13		
1. Hawalbagh	100	8	5	113	(90.4)	11	1	-	12	111	9	5	125		
														(100.0)	
2. Maudaha	24	46	49	119	(95.2)	-	4	2	6	24	50	51	125		
														(100.0)	
3. Rani ki Sarai	43	40	24	107	(85.6)	2	9	7	18	45	49	31	125		
														(100.0)	
4. Shamli	40	23	49	112	(89.6)	13	-	-	13	53	23	49	125		
														(100.0)	
Combined	207	117	127	451	(90.2)	26	14	9	49	233	131	136	500		
														(100.0)	

Note : Figures given in parentheses of columns 5 and 9 are percentages of column 13.

Source : Primary Investigation.

Regarding the rest 10 per cent of the total beneficiary participants, we notice that the amount of loan sanctioned to them was less than what they had applied for the corresponding percentage was the highest (14.4) in Rani ki Sarai block of Azamgarh district and the lowest (4.8) in Maudaha block of Hamirpur district. This brings out two kinds of implications : Either the loan applications were not properly scrutinised in the light of the NABARD specifications of the amounts of loan sanctioned were less than the amounts really needed by them. The situation arising out of the latter might have affected economic viability of the ISB units.

4. Time Taken in Sanction of Loan

As informed by the DRDAs concerned, the loan to the beneficiary participants should normally be sanctioned by the banks within the period of three months from the date of application. However, according to our primary investigations, only about 71 per cent of the selected respondents informed that they were sanctioned loans within this period of three months, as would be evident from the following table.

Table 4.2 : Responses of Beneficiary Participants
Regarding the Time Taken in Sanction
of Loan

(Number)

Selected Blocks		Responses			Combined
		Below 3 months	3 to 6 months	6 months and above	
Hawalbagh	I	69	38	4	111
	B	2	6	1	9
	S	5	-	-	5
	T	<u>76</u>	<u>44</u>	<u>5</u>	<u>125</u>
Maudaha	I	10	15	-	25
	B	14	33	-	47
	S	15	38	-	53
	T	<u>39</u>	<u>86</u>	-	<u>125</u>
Rani ki Sarai	I	44	1	-	45
	B	46	3	-	49
	S	30	1	-	31
	T	<u>120</u>	<u>5</u>	-	<u>125</u>
Shamli	I	50	3	-	53
	B	23	-	-	23
	S	49	-	-	49
	T	<u>122</u>	<u>3</u>	-	<u>125</u>
Combined	I	173 (73.93)	57 (24.36)	4 (1.71)	234 (100.00)
	B	85 (66.41)	42 (32.81)	1 (0.78)	128 (100.00)
	S	99 (71.74)	39 (28.26)	-	138 (100.00)
	T	357 (71.40)	138 (27.60)	5 (1.00)	500 (100.00)

Note : Figures given in parentheses are percentages of vertical totals

Source : Primary Investigation

Moreover, in the case of about 28 per cent respondents the time taken in procurement of loan ranged from 3 to 6 months and the remaining one per cent had to wait for more than six months to materialise it. In this connection, DRDAs and Block

Officials concerned also stated that they experienced lack of cooperation from the banks in making timely disbursement of loans to beneficiary participants.

5. Sources of Loan

The sources from where the selected participants had taken loan to set up ISB units were commercial, cooperative and Gramin banks. According to the following table, as many as 61 per cent of the total respondents had taken loan from the commercial bank alone.

Table 4.3 : Responses of Beneficiary Participants
Regarding the Sources of Loan Taken

Selected Blocks	Responses regarding the sources of loan taken			(Responses) Total
	Cooperative bank	Commercial bank	Gramin bank	
Hawalbagh	34 (27.20)	88 (70.40)	3 (2.40)	125 (100.00)
Maudaha	46 (36.80)	33 (26.40)	46 (36.80)	125 (100.00)
Rani ki Sarai	2 (1.60)	78 (62.40)	45 (36.00)	125 (100.00)
Shamli	-	106 (84.80)	19 (15.20)	125 (100.00)
Combined	82 (16.40)	305 (61.00)	113 (22.60)	500 (100.00)

Note : Figures given in parentheses are percentages of vertical totals.

Source : Primary Investigation

The respondents borrowing loans from Gramin bank and cooperative bank were about 23 per cent and 16 per cent respectively. Thus, the commercial banks are found to constitute the chief source of loans to beneficiary participants. The

loaning to ISB units through cooperative bank is comparatively low; it is found to be almost insignificant in Rani ki Sarai block of Azamgarh district and Shamli block of Muzaffarnagar.

6. Adequacy of Loan and Working Capital

About 83 per cent of the total respondents informed that the amount of loan sanctioned to them for establishing ISB units was adequate and the remaining 17 per cent stated it to be inadequate (Table 4.4).

Table 4.4 : Responses of Beneficiary Participants
Regarding the Adequacy of Loan and
Working Capital Advanced

(Number)

Selected Blocks	Responses regarding the adequacy of advanced					
	Loan			Working Capital		
	Adequate	Inadequate	Total	Adequate	Inadequate	Total
Hawalbagh	97	28	125	67	58	125
I	86	25	111	59	52	111
B	6	3	9	5	4	9
S	5	-	5	3	2	5
Maudaha	125	-	125	125	-	125
I	25	-	25	25	-	25
B	47	-	47	47	-	47
S	53	-	53	53	-	53
Rani ki Sarai	109	16	125	108	17	125
I	42	3	45	41	4	45
B	42	7	49	42	7	49
S	25	6	31	25	6	31
Shamli	82	43	125	82	43	125
I	24	29	53	24	29	53
B	19	4	23	19	4	23
S	39	10	49	39	10	49
Combined	413	87	500	382	118	500
	(82.60)	(17.40)	(100.0)	(76.40)	(23.60)	(100.00)
I	177	57	234	149	85	234
	(75.64)	(24.36)	(100.0)	(63.68)	(36.32)	(100.00)
B	114	14	128	113	15	128
	(89.10)	(10.90)	(100.0)	(88.28)	(11.72)	(100.00)
S	122	16	138	120	18	138
	(88.41)	(11.59)	(100.0)	(86.96)	(13.04)	(100.00)

Note : Figures given in parentheses are percentages of vertical totals.

Source : Primary Investigation

As shown above, the proportion of respondents who experienced inadequacy of loan sanctioned to them, was highest in the industrial sector (24.36 per cent) followed by those of the service sector (11.59 per cent) and the business sector (10.94 per cent).

Turning to the aspect of adequacy of working capital, we further notice that about 76 per cent of the total respondents were satisfied with the amount of working capital sanctioned to them, whereas the remaining 24 per cent experienced inadequacy of the sanctioned amount of working capital. Like loans, inadequacy of working capital is also of the serious nature in respect of industrial sector. In its support, we notice that the proportion of total respondents of the industrial sector experiencing inadequacy of the amount of working capital was the highest (36.32 per cent) as compared to the corresponding proportion in business (11.72 per cent) and service (13.04 per cent) sectors.

Thus, it becomes apparent from the foregoing analysis that the loan and working capital advanced for establishing industrial units under ISB sector was not found to be adequate by a considerable number of respondents from the point of view of proper functioning and economic viability of their units. In support of this statement, DRDA and Block Officials also informed us that banks often fail to sanction full amount of loan required for meeting the total cost of the projects.

7. NABARD Guidelines and Sanction of Project Loans

In principle, NABARD Guidelines were to be followed up for working out cost of various kinds of ISB units. But scrutiny of the data/information available at the block level suggests that these guidelines were not adhered to in actual practice. The amount of loan advanced for one and the same kind of ISB unit shows a significant variation from one block to another, as would be evident from the following table.

Table 4.5 : Follow Up of NABARD Specifications
for Sanction of Project Cost

(Rs.)

ISB Unit	Amount of loan sanctioned in the blocks of				Project cost according to NABARD Guidelines
	Hawalbagh	Mandaha	Rani ki Sarai	Shamli	
Handloom	-	2000	5000	4700	2800
Blacksmithy	3000	2200	3000	3000	2000
Carpentry	3000	2200	3000	-	2000
Purchuna shop	-	3000	3000	5000	2000
Readymade garments	-	5000	5000	3000	2500
Cloth shop	-	5000	1000	3000	1500
Tea stall	3500	-	3000	3000	1500
Horse cart	-	5000	2000	5000	5000
Tailoring	1500	3000	5000	1000	2500
Cycle repairs	-	2000	3000	5000	3600

Source : Primary Investigation

As shown above, the amount of loan advanced for starting blacksmithy is found to be Rs.3000 in Hawalbagh, Rani ki Sarai and Shamli blocks, whereas the corresponding amount for Maudaha block was Rs.2200 only, as against the prescribed norm

of Rs.2000. Moreover, in respect of tailoring the loan sanctioned ranged from Rs.1000 in Shamli block to Rs.5000 in Rani ki Sarai, as against Rs.2500 indicated in the NABARD Guidelines. Similarly, in respect of cycle repairs, the corresponding amount was the lowest (Rs.2000) in Maudaha block and the highest (Rs.5000) in Shamli block against the NABARD specification of Rs.3600. Besides, the division of the total loan sanctioned into fixed and working capital also seems to have been done arbitrarily without taking into account the NABARD specifications.

CHAPTER V

Some Aspects of Project Administration

1. System of Monitoring

No doubt, the government have set up coordination committees at different levels for proper planning and implementation of the ISB component of IRD programme. We also notice that meetings of these committees are being held regularly. Besides, the government have prescribed proforma for different levels to collect the data/information with a view to reviewing the monthly, quarterly and annual progress and monitoring the programme. While carrying out evaluation, we, however, noticed one major deficiency in the proforma. Although the space required for procuring the data of physical achievements is well set, there is no such provision for equally important data of financial achievements of the ISB scheme in it. Further separate figures of loan advanced under ISB sector by different banks are also not available in the proforma. It would, therefore, be desirable if the proforma is revised in the light of the aforesaid deficiencies and the items of 'available outlay' and 'expenditure' alongwith break-ups for scheduled caste and scheduled tribe separately for the ISB scheme are duly accommodated.

2. Fixation of Targets

The pattern of expenditure and the corresponding physical achievements as discussed earlier, showed that in two of the selected districts there was a shortfall in both the actual

expenditure of the available outlay and the achievement of physical targets, opposed to the situation the other two districts. This indicates that there exists inter-district differences in both the availability of natural and human resources and the existing organisational capabilities for their exploitation. Because of these differences, the present system of fixation of financial and physical targets of ISB scheme uniformly for different districts from the state level does not seem to have worked well in actual practice as witnessed by the cases of both the shortfall in and excess of achievements. For better efficacy of the programme, it would, therefore, be desirable to confer autonomy to district authorities in matters relating to the fixation of financial and physical targets of the programme for a district, considering local conditions of an area.

3. Preparation of Model Schemes

As stated in the previous chapter, industrial potential surveys were carried out in each of the selected districts, and based on these surveys small scale industries projects were formulated by the DICs concerned. Copies of these projects were circulated to Block Development Officers for their publicity among the households identified for participation in the ISB programme. The BDOs informed that usually the households were not convinced to start these projects because of the involvement of a relatively higher amount of investment, and sanction of a higher amount of loan, exceeding Rs.5000 usually required a

longer period of time for its sanction by the banks. Further high risk bearing capacity is also generally found to be lacking with them. In view of these, it is required that DICs should take up the task seriously and formulate only those industrial projects which are best suited to the local conditions and knowledge and capabilities of prospective beneficiaries.

As corollary to the above, we also notice that in actual practice quite a large number of projects are either 'functioning but not viable' or have ceased to function completely. Besides, the other units, which are stated to be both 'functioning and viable', also experience under-utilisation of their capacities as witnessed by the number of days units were engaged during a year. The important among the reasons stated are seasonal engagement of beneficiaries in agriculture, shortage of raw material and lack of demand for the finished products. As prescribed in the Guidelines, these deficiencies were to be overcome by establishing at least one Rural Marketing Centres in each block. But none of the selected blocks have made any effort in this direction. Therefore, BDOS should be reminded of the previous instructions to set up Rural Marketing Centres keeping in mind the local conditions and requirements of the area.

4. Training of Beneficiaries

The scrutiny of block records reveals that the target of providing training to 40 persons under ISB sector in each block was fully achieved in Hawalbagh and Shamli. But in case of

Maudaha and Rani ki Sarai we notice a severe shortfall in achievement of the corresponding targets. Officials of these two blocks informed that a separate programme of training for beneficiary participants of ISB sector is not organised at the block level. However, some of those imparted training under TRYSEM do join this sector and start their units.

Moreover, our primary investigations suggest that none of the selected respondents, excepting two in Hawalbagh, were imparted training under ISB sector. One of these two respondents of Hawalbagh, was imparted training in tailoring and the other in knitting. They however felt that the period of training was too short and the amount of stipend given to them during the period of training was quite low (i.e. Rs.50 per month). The district and block level functionaries were also of the opinion that training imparted under ISB programme is not adequate in terms either of contents or the period to enable the beneficiaries to successfully carry out new enterprises. Further, since the trainees do not have to appear in any kind of test or examination during the training course, they are not given any certificate to this effect. With the result, banks do not accord any recognition to such training and often show reluctance in financing their projects. Considering these facts, it appears that the training as envisaged in the programme has not been given proper attention at the time of its implementation.

Regarding the help and guidance taken from different agencies, all the respondents were of the opinion that block

officials used to make frequent visits to their villages and provide guidance to them from time to time. They further informed that officials from banks, District Industries Centres, and other technical institutions hardly visited their villages to extent their help and cooperation for successful implementation of ISB projects. Contrary to this, participants themselves had to make several visits to the bank offices for procurement of the loans. This shows that except block officials, none of the agencies except the block officials have paid sufficient attention to their tasks in carrying out the ISB programme.

Marketing of goods produced/procured by the participants of industry and business is confining to mainly their local villages, as would be evident from the following table.

Table 5.1 : Marketing of Goods Produced/Procured
in the Selected Blocks During 1984-85

Mode of sale/ purchasers	(Number/Respondents)				Total
	Households	Traders	Govt. Agency	3	
0	1	2	3	4	
Same village	244	14	Nil	258	(70.68)
Nearby village	37	4	Nil	41	(11.23)
Nearby town	27	11	Nil	38	(10.41)
Other places	13	15	Nil	28	(7.68)
Grand Total	321 (87.95)	44 (12.05)	Nil	365 (100.00)	

Note : Figures given in parentheses in columns 1 and 2 are the percentages of column 4, whereas those given in column 4 are percentages of the grand total of the same column.

Source : Primary Investigation

As shown above, out of the total 365 selected participants of industry and business, as many as 70.68 per cent sold their goods to mainly the households in the same village and those carried out disposals of their goods in the nearby village, nearby town and other places were 11.23, 10.41 and 7.68 per cent respectively. Moreover, the percentage of the total respondents selling their produce to the households was as high as 87.95 and those marketing it to traders were 12.05 per cent only. But none of the respondents made disposal of their produce to the government agency, which may be attributed to non-existence of any such agency in the area. It appears that the quality of goods produced by the respondents is usually inferior and not upto the mark. As a sequel of this, their sale is confined to meet the local demand only and the disposal of their produce does not find place in the external market. Emphasising the use of an appropriate technology, efforts should, therefore, be made to improve the quality of goods produced by the participants.

Regarding the problems and difficulties faced in carrying out the ISB activities, the percentage of respondents experiencing shortage of raw material as the main bottleneck in regular functioning of the units was as high as 45.60, followed by that referring to the non-availability of market 35.00, as would be evident from the following table.

Table 5.2 : Problems and Difficulties Faced by the Respondents

(Multiple Response)

Problems/ Difficulties	Hawalbagh	Maudaha	Rani ki Shamli	Combined Sarai	
A. Inavailability of					
1. Raw material	59 (47.20)	39 (31.20)	55 (44.00)	75 (60.00)	228 (45.60)
2. Infrastructure	21 (16.80)	38 (30.40)	42 (33.60)	11 (8.80)	112 (22.40)
3. Skilled labour	7 (5.60)	11 (8.80)	8 (6.40)	8 (6.40)	34 (6.80)
4. Market	62 (49.60)	45 (36.00)	57 (45.60)	11 (8.80)	175 (35.00)
B. Due to					
5. Lack of finance	62 (49.60)	46 (36.80)	42 (33.60)	56 (44.80)	206 (41.20)
6. Lack of help and guidance	47 (37.60)	69 (55.20)	61 (48.80)	35 (28.00)	212 (42.40)
7. Others	3 (2.40)	17 (13.60)	11 (8.80)	15 (12.00)	46 (9.20)
Base	125	125	125	125	500

Note : Figures given in parentheses denote percentages to the base.

Source : Primary Investigation

Lack of help and technical guidance and lack of finance were the other two crucial problems experienced by 42.40 per cent and 41.20 per cent respondents respectively. Besides, lack of infrastructural facilities particularly transport and communication, which was another problem stated by 22.40 per cent of the total respondents, was noticed to be more acute in Maudaha and Rani ki Sarai blocks. Based on those difficulties, it seems that various aspects like availability of finance, raw material, market and infrastructural facilities were not given proper attention while formulating the ISB projects.

CHAPTER VI

Impact of the ISB Scheme

The impact of the ISB component has been examined in terms of the amount of investment and employment in the ISB units, their backward and forward linkages and performance with regard to period of operation and gross business receipts, and changes in occupations and income levels of the beneficiary families from their positions before receiving financial assistance under ISB. All these aspects are, among other things, associated with the nature of these units and their place in the rural economy. It would therefore be desirable to have an idea of the specific activities carried out by the ISB units before coming to the above mentioned aspects relating to their impact.

1. Activities Carried Out by the Sample Units

According to our sample of industrial units, basket making, production of wooden furniture and blacksmithy constituted the largest single groups of 17, 15 and 10 out of the total 111 units in Hawalbagh, the weaving and readymade garment numbered 10 and 5 respectively among the 24 in Maudaha, as many as 38 of 45 were engaged in rope making in Rani ki Sarai, and 36 and 8 units respectively among the total 51 industrial units of Shamli were engaged in cloth weaving and kambal (blanket) Udyog. Similarly, among the business units, the relatively dominant number was found to be of tea stalls in Hawalbagh; readymade garment shops, betal shops and bisatkhana

in Maudaha; purchan (grocer) shop, earthen pot shop and vegetable shop/vending in Rani ki Sarai; and purchan (grocer) shop and cloth shop/vending in Shamli. Lastly, while assistance for purchase of horse/mule appeared to be the most dominating single activity in Hawalbagh, the horse carts constituted the highest number in Maudaha. In Shamli the highest number was that of bullock/buffalo cart followed by the horse cart, and in Rani ki Sarai the highest number corresponded to rickshaw pulling. It may be seen that very few of the units belonged to relatively modern sector, like those of watch repairing.

Table 6.1 : Distribution of Sample Units by Sectors and Nature of Economic Activities

(Number)

Sector/Activity	Hawal- bagh	Mauda- ha	Rani ki Sarai	Shamli	All Blocks
1. Industry					
1.1 Basket making	76	1	-	-	77
1.2 Weaving	-	10	1	36	47
1.3 Rope making	-	-	38	-	38
1.4 Wooden furniture	15	3	1	-	19
1.5 Blacksmithy	10	1	1	1	13
1.6 Kambal Udyog	-	-	-	8	8
1.7 Readymade garments	2	5	-	-	7
1.8 Metal utensil and containers	6	-	-	-	6
1.9 Leather works	-	2	-	3	5
1.10 Earthen ware	-	2	-	-	2
1.11 Others	2	-	4	3	9
Total Industry	111	24	45	51	231
2. Business					
2.1 Parchun shop	-	7	11	11	29
2.2 Readymade garment shop	-	15	4	2	21
2.3 Betel shop	-	11	5	-	16
2.4 Cloth shop/vending	-	4	1	10	15
2.5 Bisatkhana	-	9	1	-	10
2.6 Tea stall	4	-	3	1	8
2.7 General merchant	2	1	5	-	8
2.8 Earthen pot shop	-	1	6	-	7
2.9 Vegetable vendor	-	1	6	-	7
2.10 Sweetmeat	-	-	4	-	4
2.11 Others	3	3	3	1	10
Total Business	9	52	49	25	135

Table 6.1 (contd.)

Sector/Activity	Hawal-bagh	Mauda-ha	Rani ki Sarai	Shamli	All Blocks
3. Service					
3.1 Horse cart	-	18	1	16	35
3.2 Buffalo/bullock cart	-	-	-	25	25
3.3 Rikshaw puller	-	14	4	1	19
3.4 Tailoring	2	1	10	3	16
3.5 Cycle repairs	-	7	3	3	13
3.6 Loudspeaker	-	5	3	-	8
3.7 Horse/Mule	3	-	1	-	4
3.8 Brass band	-	2	1	-	3
3.9 Boring service	-	-	2	1	3
3.10 Watch repair	-	-	2	-	2
3.11 Others	-	2	4	-	6
Total Service	5	49	31	49	134
4. All Sectors	125	125	125	125	500

2. Amount of Investment

The amount of investment on a project is usually conceived to be the sum total of the expenditure incurred on all items including fixed assets before the start of production and part of the working expenses representing an amount which is 'blocked' in order to keep the unit in operation during the turn over period. The ISB units however involve small amounts of investment. Further, these units are of different kinds and are operating in different conditions. Therefore, taking any fixed proportion of the working expenses as part of investment would neither be appropriate nor desirable. Let us therefore look at the amount of expenditure incurred by the sample units on fixed capital and for running the units during a year separately, as shown in Table 6.2.

Table 6.2 : Fixed Capital Expenditure and Average Annual Running Expenditure Incurred by the Sample ISB Units

(Amount in Rs.)

Blocks/Sectors	No. of Unit	Fixed Capital Expenditure	Average Annual Running Expenditure		
			Total	Per Unit	Total
1. Hawalbagh					
a. Industry	111	95976	865	104524	942
b. Business	9	11000	1222	14000	1556
c. Service	5	11700	2340	900	180
d. All sectors	125	111676	893	119424	955
2. Maudaha					
a. Industry	24	21300	887	32000	1133
b. Business	52	13400	258	162200	3119
c. Service	49	140600	2869	19750	403
d. All sectors	125	175300	1402	213950	1711
3. Rani ki Sarai					
a. Industry	45	7675	171	56599	1259
b. Business	49	13000	265	133875	2324
c. Service	31	69161	2231	11175	361
d. All sectors	125	89836	719	201649	1613
4. Shamli					
a. Industry	51	87110	1708	108140	2120
b. Business	25	35450	1418	64450	2578
c. Service	49	198750	4056	7000	143
d. All sectors	125	321310	2571	179590	1437
5. All Blocks					
a. Industry	231	212061	918	301264	1304
b. Business	135	72850	540	374525	2774
c. Service	134	420211	3136	38825	290
d. All sector	500	705122	1410	714614	1429

Source : Direct Enquiry

It would normally be expected for industrial units to incur relatively higher amount towards fixed capital, for business units a higher amount of running expenses, and for service units

the lowest amount of running expenses on the average. The above table however shows that the amount of capital expenditure per unit in the service sector was the highest at Rs.3136, followed by industrial units Rs.918 and business units Rs.540, taking all the blocks together. In fact, the capital expenditure of industrial units was lower than that of service units because in a number of cases loan was given for industrial units which were already established, while all the service units involved purchase of assets like bullock carts, horse carts, mules, etc. or the necessary equipments. As regards the annual running expenses per unit, it was found to be the highest at Rs.2774 for business units, followed by Rs.1304 for industrial units and Rs.290 for service units. The relative positions of the industrial, business and service units in terms of the running expenses, as revealed by the sample study, are found to be in order, keeping in view the nature of these activity groups and size of the units.

Considering the individual blocks, we find that per unit amount of capital expenditure in respect of service units was highest (Rs.4056) in Shamli, followed by Rs.2869 in Maudaha, Rs.2340 in Hawalbagh and Rs.2231 in Rani ki Sarai. This figure for industrial units was highest with Rs.1708 again in Shamli, followed by Rs.887 in Maudaha, Rs.865 in Hawalbagh and only Rs.171 in Rani ki Sarai. Regarding the amount of annual running expenses per unit, it came to Rs.3119 for business units in Maudaha, followed by Rs.2578 in Shamli, Rs.2324 in Rani ki Sarai

and Rs.1556 in Hawalbagh. The running expenses in case of service units in all the blocks were much lower in relative terms. On the whole one would find that the per unit amount of investment incurred in the ISB sector was highest in Shamli, followed by Maudaha, Rani ki Sarai and Hawalbagh.

In the background of the above discussions, it would be difficult to visualise a worthwhile increase in productive assets in rural areas due to emphasis on establishment of industrial units in the ISB sector. This is especially because financial assistance is also provided for expansion of the already established industrial units. At the same time, if one thinks of loaning only for new units, it would suffer a set back due to lack of demand in rural areas and would also thus defeat the aim of bringing the rural poor above the poverty line to some extent. Therefore, keeping in view the socio-economic conditions in rural areas and the main object of IRDP, it does not seem to be very appropriate to expect any substantial increase in productive assets in the rural areas over a short period of time.

3. Employment in the ISB Units

The units established under the ISB were in the household sector and did not report to have employed any hired labour. In most of the cases, the ISB beneficiary alone operated the unit. The average number of persons employed per unit, taking all the blocks together, was found to be the highest with 1.5 in industrial sector, 1.2 in service sector and 1.1 in the business sector, as shown in the following table.

Table 6.3 : Number of Persons Employed in the
ISB Units

Blocks/Sector	No. of Units	Employment (No.)	
		Total	Per Unit
1. Hawalbagh			
a. Industry	111	136	1.2
b. Business	9	9	1.0
c. Service	5	5	1.0
d. All sectors	125	150	1.2
2. Maudaha			
a. Industry	24	24	1.0
b. Business	52	53	1.0
c. Service	49	50	1.0
d. All sector	125	127	1.0
3. Rani ki Sarai			
a. Industry	45	71	1.6
b. Business	49	55	1.1
c. Service	31	37	1.2
d. All sector	125	163	1.3
4. Shamli			
a. Industry	51	104	2.0
b. Business	25	27	1.1
c. Service	49	72	1.5
d. All sector	125	203	1.6
5. All Blocks			
a. Industry	231	335	1.5
b. Business	135	144	1.1
c. Service	134	164	1.2
d. All Sector	500	583	1.2

Source : Direct Enquiry

It is interesting to note that the average number of persons employed per unit was relatively higher in case of industrial units in all the individual blocks, followed by the service sector units. Taking all the sectors together, this

figure was highest with 1.6 in Shamli, followed by 1.3, 1.2 and 1.0 in Rani ki Sarai, Hawalbagh and Maudaha respectively. Thus, though hardly any significance can be attached to the ISB units in creation of additional employment opportunities, the relative position among the selected blocks was found to be the best in Shamli and the poorest in Maudaha where all units, barring two of them, were run by the beneficiaries alone. It may therefore be concluded that though the ISB units could not provide wage employment to the unemployeds, they have provided employment opportunities to the members of the beneficiary families and thus helped in reducing underemployment in the rural areas to certain extent. The impact of the ISB scheme in this direction is likely to be substantial over a period of time.

4. Linkages of ISB Units

The impact of operation of the ISB units on other economic activities in the area may be examined particularly with regard to the units established in the industrial and business sectors in terms of purchase of goods from non-ISB sectors (backward linkage) and sale of goods to non-ISB sectors (forward linkage). In this connection it would be interesting to examine as to what extent the industrial and business units had incurred capital or running expenditure within the area i.e. the same village or the nearby village, or other places. The following table shows the distribution of the total capital expenditure and total annual running expenditure incurred by these units at these places.

Table 6.4 : Distribution of Capital and Running Expenditure Incurred by the Sample Units of Industrial and Business Sectors by Places of Expenditure

(Percentage)

Block/Sector	Capital Expenditure			Running Expenditure		
	In the Town area	Other in dis- trict	Total	In the Town area	Other in di- strict	Total
1. Hawalbagh						
1.1 Industry	10.33	39.59	50.08	100.00	14.70	41.77
1.2 Business	45.83	33.33	20.84	100.00	34.37	37.50
2. Maudaha						
2.1 Industry	16.67	47.14	36.19	100.00	24.72	43.96
2.2 Business	-	100.00	-	100.00	7.93	92.07
3. Rani ki Sarai						
3.1 Industry	100.00	-	-	100.00	63.02	27.96
3.2 Business	50.98	23.53	25.49	100.00	21.50	25.05
4. Shamli						
4.1 Industry	28.58	58.35	13.07	100.00	70.67	21.30
4.2 Business	6.67	93.33	-	100.00	5.75	94.25
5. All blocks						
5.1 Industry	26.01	44.70	29.29	100.00	39.04	34.16
5.2 Business	30.28	56.40	13.32	100.00	13.19	67.79
6. All blocks/ sectors	26.79	46.82	26.39	100.00	25.09	52.31
						22.60
						100.00

Source : Direct Enquiry

It is seen that the sample industrial units of Rani ki Sarai block incurred whole (100 per cent) of their capital expenditure and 63.02 per cent of their annual running expenditure in the area, i.e. within the same village or a nearby village. These percentages for Shamli block were found to be 28.58 and 70.67 respectively. In case of the sample business units, the highest

percentage of capital expenditure incurred in the rural area was 50.98 for Rani ki Sarai, followed by 45.83 in Hawalbagh, while that of running expenditure was found to be the highest (only 34.37 per cent) in case of Hawalbagh. Taking all the sample industrial and business units of the different blocks together, we find that only around one-fourth of the capital as well as running expenditure was incurred in the area, round about half in a town within the district and the remaining at other places. It may therefore be concluded that the equipment and material requirements of the ISB units were largely met from towns and other places, and the expenditure incurred by these units as could establish backward linkages with other activities was only around one-fourth of the total. Moreover, since these units also involve very small amounts of investment, they do not appear to be generating any worthnoting linkage effects on the rural economy in the present circumstances.

In relative terms, however, the industrial units of Rani ki Sarai and Shamli, and the business units of Hawalbagh and Rani ki Sarai performed better in establishing backward linkages with the local economic activities. It may be mentioned here that out of the total 45 sample industrial units in Rani ki Sarai, as many as 38 i.e. 84 per cent were engaged in rope making, based primarily on local material. Therefore, efforts should be made to ensure the utilisation of locally available material, as far as possible, in planning and implementation of the ISB programme. It does not however mean that all the units have necessarily to be based on local raw material. In fact, if the supply and marketing centres are established in the blocks, as envisaged elsewhere in the report, some units

using materials from external sources may also come up.

As regards the forward linkages of ISB activities in the area, we tried to find out the proportions of the value of goods disposed by the sample industrial and business units to other industrial units located within the area and at other places. None of these ISB units however reported to have sold their goods to any industrial units. About 12 per cent of them catered to traders and as much as about 88 per cent of them disposed their produce/goods to individual households only. Thus, as revealed by the sample study, there has been no impact of the ISB programme in terms of establishing forward linkages with other economic activities in the area.

The question however remains as to how the forward linkages of the ISB units can be established and strengthened. There are in fact little hopes in the direction in the near future, especially due to undeveloped and traditional nature of the rural economy on the one hand and the kind of small household activities being established under the programme to produce only consumer goods of relatively inferior quality on the other. However, if the quality of goods produced by the ISB units is improved to fetch demand from centres outside their close periphery, it would have the desirable impact on the rural economy. It would therefore be worthwhile to ensure that due care is taken to develop skills among the rural people, introduce the use of better equipments and techniques to further help production of goods of better quality, and establish organised marketing facilities with the help of agencies like Khadi and Gramodyog Board.

5. Performance of the ISB Units

In order to have an idea of the performance of the ISB units, enquiry was made from the sample beneficiaries about the period of operation and gross receipts of their units during a year. The findings on these aspects are described below :

Period of Operation

Out of the total sample of 500, the majority of 366 units (73.2 per cent) reported to have worked for at least 9 months in a year. The number of units worked for 6-9 months was 104 (20.8 per cent), 3-6 months 29 (5.8 per cent) and that for a period below 3 months only 2, as seen from the following table.

Table 6.5 : Number of the Sample ISB Units distributed by Period of Operation During a Year

(Number)

Block/Sector	Average period of operation in month				Total
	Below 3	3 - 6	6 - 9	9 +	
1. Hawalbagh					
1.1 Industry	-	2	31	78	111
1.2 Business	-	-	2	7	9
1.3 Service	-	1	2	2	5
1.4 Total	-	3	35	87	125
2. Maudaha					
2.1 Industry	-	3	1	20	24
2.2 Business	-	2	5	45	52
2.3 Service	1	7	6	35	49
2.4 Total	1	12	12	100	125
3. Rani Ki Sarai					
3.1 Industry	-	5	13	27	45
3.2 Business	-	-	14	35	49
3.3 Service	-	1	9	21	31
3.4 Total	-	6	36	83	125

Table 6.5 (contd.)

Block/Sector	Average period of operation in month				Total
	Below 3	3 - 6	6 - 9	9 +	
4. Shamli					
4.1 Industry	-	2	5	44	51
4.2 Business	-	-	3	22	25
4.3 Service	-	6	13	30	49
4.4 Total	-	8	21	96	125
5. All Blocks					
5.1 Industry	-	12	50	169	231
5.2 Business	-	2	24	109	135
5.3 Service	1	15	30	88	134
5.4 Total	1	29	104	366	500

Source : Direct Enquiry

Considering the individual blocks as well, most of the units were reported to have worked for 9 months or more. The units which could not function upto 9 months in a year, numbered 42 (33.6 per cent) in Rani ki Sarai, 38 (30.4 per cent) in Hawalbagh, 29 (23.2 per cent) in Shamli, and 24 (19.2 per cent) in Maudaha block, adding to the total of 134 units (26.8 per cent) in the entire sample. The reason for a period of operation of less than 9 months in a year was reported to be the engagement of the beneficiaries in other economic activities, especially those relating to agriculture, in case of 133 of these units. As to the remaining 1 unit, non-availability of raw material was reported to be the reason for a smaller period of its operation.

It may be pointed out in the above context that the ISB beneficiaries, who belong to the bottom income group have to depend basically on agriculture to meet their requirement of foodgrains. Therefore, in case the beneficiaries are unable to manage their units well and thereby earn a sufficiently high income, they would not like to carry out the ISB activities at the cost of foregoing their involvement either as cultivators or labourers in agriculture.

On the whole however, as about three-fourths of the units could operate for a period of 9 months or more during a year, the performance of ISB units from the point of view of the period of operation is found to be satisfactory.

Gross Receipts

The beneficiaries were asked to report the amount of receipts from the ISB units. In case of industrial units, enquiry was also made about the value of their anticipated production and that of actual production in order to examine whether there has been a shortfall in the actual production. The following table gives the annual figures of production and gross receipts per unit based on the sample.

Table 6.6 : Anticipated & Actual Production and
Gross Annual Receipts of the ISB Units

Particulars	Hawal-bagh	Mau-daha	Rani ki Sarai	Shamli	All Blocks
1. Industrial Units					
1.1 No. reporting	111	24	45	51	231
1.2 Production per unit per year					
a) Anticipated (Rs.)	2087	2548	3119	8529	3758
b) Actual (Rs.)	2364	2456	3287	7000	3577
1.3 Gross Annual Receipts per unit by sale (Rs.)	2423	2365	3263	7804	3769
2. Business Units					
2.1 No.	9	52	49	25	135
2.2 Gross annual receipts per unit (Rs.)	3350	6231	5462	5383	5603
3. Service Units					
3.1 No.	5	49	31	49	134
3.2 Gross annual receipts per unit (Rs.)	3380	4561	5603	6175	5348
4. All Units					
4.1 No.	125	125	125	125	500
4.2 Gross annual receipts per unit (Rs.)	2528	4834	4705	6681	4687

Note : Out of the total sample of 500 units, 6 units of business and service sectors did not report about their gross receipts. The per unit figures of gross receipts were worked out on the basis of reporting units only. These figures were taken as the same for all the sample units in particular sectors or blocks.

Source : Direct Enquiry

Considering the industrial units of Shamli, the value of annual anticipated production per unit on an average, worked out to Rs.8529 as against the corresponding actual production valued at Rs.7000 showing a shortfall of Rs.1529 or about 18

per cent. In all the other blocks this difference between the values of the anticipated and actual production was marginal.

As against the annual gross receipts per unit of Rs.3769 in the industrial sector, the corresponding figures came to Rs.5603 and Rs.5348 respectively in the business and service sectors, taking all the blocks together, giving an overall average of Rs.4687 for all the sample units. Among the blocks, this average for the industrial, business and service units together was the highest with Rs.6681 in Shamli, Rs.4834 in Maudaha, Rs.4705 in Rani ki Sarai and Rs.2528 only in Hawalbagh. Thus, the performance of the ISB units from this point of view has been most appreciable in case of Shamli block and least satisfactory in case of Hawalbagh.

Considering the average annual gross receipts among the ISB sectors, it is seen that the figure for industrial units was higher in Shamli, and lower in all other blocks, compared with gross receipts from the business/service units. Thus, it was only in case of Shamli block that the industrial units performed better than the business and service sector units.

6. Change in Principal Occupations of the Beneficiaries

Of the total number of 500 sample beneficiaries as many as 325, i.e. 65 per cent reported a change in their principal occupations as a result of the ISB programme. Among those who reported the change, the majority of 193 i.e. 59.4 per cent were wage labourers and 109 or 33.5 per cent were marginal farmers.

According to the sectors of ISB assistance the numbers reporting change was found to be 128 (25.6 per cent), 84 (16.8 per cent) and 113 (22.6 per cent) of the beneficiaries in the industrial, business and service sectors respectively. The details are shown in the following table.

Table 6.7 : Change in Principal Occupations of the Sample Beneficiaries
(Number)

ISB sector of assistance/ Principal occupation before getting assistance	Hawal-	Mauda-	Rani ki Shamli	All Blocks	
	bagh	ha	Sarai		
1. Sector					
1.1 Industry	64 (83.1)	12 (11.4)	33 (46.5)	19 (26.4)	128 (25.6)
1.2 Business	8 (10.4)	46 (43.8)	20 (28.2)	10 (13.9)	84 (16.8)
1.3 Service	5 (6.5)	47 (44.8)	18 (25.3)	43 (59.7)	113 (22.6)
2. Occupation Before ISB					
2.1 Cultivation	55 (71.4)	6 (5.7)	45 (63.4)	3 (4.2)	109 (33.5)
2.2 Wage labour	22 (28.6)	91 (86.7)	14 (19.7)	66 (91.6)	193 (59.4)
2.3 Others	-	8 (7.6)	12 (16.9)	3 (4.2)	23 (7.1)
3. Total reporting change to ISB occupation	77 (61.6)	105 (84.0)	71 (56.8)	72 (57.6)	325 (65.0)
4. Total reporting No. change in principal occupation	48 (38.4)	20 (16.0)	54 (43.2)	53 (42.4)	175 (35.0)
Total sample units	125	125	125	125	500

Note : The figures in parentheses show percentages. The percentages against S1. Nos. 1.1 to 2.3 are from the corresponding base at S. No.3. The percentages against S1.No.3 and 4 are from the total number of sample units.

Source : Direct Enquiry

Considering the individual blocks, percentage of the beneficiaries reporting change was found to be the highest with 84.0 in Maudaha, followed by 61.6, 57.6 and 56.8 in Hawalbagh, Shamli and Rani ki Sarai. It is interesting to note that the number reporting change was relatively higher in case of marginal farmers in Hawalbagh and Rani ki Sarai and that for wage earners in Maudaha and Shamli. This is so because in Hawalbagh most of the rural families are engaged in cultivation and very few of them are wage labourers. In Maudaha also most of the households are landholders. The above analysis however shows that there has been a noteworthy shift in the occupational pattern of the ISB beneficiaries. As such, if the planning and implementation of the programme is carried out with due care, it would bring about a definite and significant change in the occupational structure and socio-economic profiles in the rural areas.

7. Changes in Incomes of the Beneficiary Families

In order to examine as to what extent the ISB scheme has helped in the removal of poverty, the incomes of the beneficiary families before and after establishment of the ISB activities were computed. The method used for computation of income before the ISB assistance has been described and the distribution of families according to broad income groups are shown in Chapter I. For the latter stage, i.e. after the establishment of ISB activities, the incomes from non-ISB activities of the participants were computed following the procedure as described earlier. The income from ISB activities was worked out by subtracting the paid out cost from the gross receipt on annual basis. The

total family income thus obtained included net incomes from both the ISB and non-ISB sources. The following table shows the average income levels of the beneficiary families before and after the establishment of the ISB activities.

Table 6.8 : Incomes of the Beneficiary Families Before and After Establishment of the ISB Units

Particulars	Hawal- bagh	Mau- daha	Rani ki Sarai	Shamli	All Blocks
1. Income per family before ISB (Rs.)	3711	2089	4773	3909	3620
2. Income per family after ISB (Rs.)					
2.1 Non-ISB sources	2931	2235	3135	1047	2337
2.2 ISB sources	1805	1832	4006	5139	3196
	(38.11)	(45.05)	(56.10)	(83.06)	(57.76)
2.3 Total income	4736	4067	7141	6181	5533
3. Percentage increased in income per family					
3.1 Non-ISB	-21.02	6.99	-34.32	-73.22	-35.44
3.2 Total	27.62	94.69	49.61	58.28	52.85

Note : Figures in parentheses against item 2.2 show percentages to total income at 2.3

Source : Direct Enquiry

The average income per family from the ISB units worked out to Rs.5139 in Shamli, Rs.4006 in Rani ki Sarai and a little over Rs.1800 in each of the remaining two blocks. The contribution of the ISB scheme was to the extent of 83 per cent of the total family income in Shamli, followed by 56 per cent, 45 per cent and 38 per cent in cases of Rani ki Sarai, Maudaha and Hawalbagh respectively. It would be interesting to note that

after the establishment of the ISB units, the family income levels have decreased by as much as 73 per cent in Shamli, 34 per cent in Rani ki Sarai and 21 per cent in Hawalbagh, with an increase of about 7 per cent in Maudaha and the overall decline of 35 per cent. The percentage change in the per family income is found to be the highest with 94.7 in Maudaha especially because of low base level income, 58.3 and 49.6 in Shamli and Rani ki Sarai, and only 27.6 in Hawalbagh. It may thus be observed that the contribution of the ISB units in the income levels of the beneficiary families is significant. Second, there appears to be an inverse relationship between growth in income from non-ISB sources and that in the income from ISB units. This suggests that a greater success in running the ISB units could be possible by foregoing some part of the non-ISB income, leading to a greater increase in the family income level as would be evident from the table.

Referring to the question as to what extent the ISB scheme has helped in bringing the rural poor above the poverty line, it may be recalled that a considerable number of beneficiary families in each block were already above the poverty line with an annual income exceeding Rs.3500 before their participation in the scheme. The ISB scheme was thus helpful in increasing income levels of such families as well, apart from those below the poverty line. The distribution of beneficiaries by income groups (Table 6.9) shows that there have been shifts in the numbers of families from lower to higher income groups.

Table 6.9 : Distribution of Beneficiary Families by Income Groups Before and After ISB Assistance

(Number)

Income group (Rs. per family per year)	Hawalbagh		Maudaha		Rani ki Sarai		Shamli		All Blocks		
	B	A	B	A	B	A	B	A	B	A	A
1. Below 3500	78	51	119	44	40	11	55	7	292	113	
2. 3500 - 5000	17	32	6	54	35	21	47	41	105	153	
3. 5000 or more	30	42	-	22	50	23	23	77	103	234	
4. 3500 or more	47	74	6	76	85	114	70	118	208	387	
All Groups	125	125	125	125	125	125	125	125	500	500	

B. : Before establishment of ISB unit

A. : After establishment of ISB unit

Source : Direct Enquiry

It is seen that out of the total 500 families, 292 were below the poverty line before getting the assistance under ISB. This number declined to 113 after the ISB units were established. Such a shift in the number of families was most marked in Maudaha, followed by Shamli, Rani ki Sarai and Hawalbagh respectively.

The percentage of families found to be above the poverty line, after their units were established, was 94.4 in Shamli followed by 91.2, 64.8 and 59.2 in Rani ki Sarai, Maudaha and Hawalbagh respectively as shown in the table 6.10.

Table 6.10 : Beneficiary Families Brought Above the Poverty Line Due to the ISB Scheme

Particulars	Hawal-bagh	Mau-daha	Rani ki Sarai	Shamli	All Blocks
1. Before ISB Assistance					
1.1 Below poverty line					
No.	78	119	40	55	292
%	62.4	95.2	32.0	44.0	58.4
1.2 Above poverty line					
No.	47	6	85	70	208
%	37.6	4.8	68.0	56.0	41.6
2. After ISB Assistance					
2.1 Below poverty line					
No.	51	44	11	7	113
%	40.8	35.2	8.8	5.6	22.6
2.2 Above poverty line					
No.	74	76	114	118	387
%	59.2	64.8	91.2	94.4	77.4
3. Families Brought Above Poverty Line					
a. Number	27	75	29	48	179
b. % to total reporting beneficiaries	21.6	60.0	23.2	38.4	35.8
c. % to the No. below the poverty line at 1.1	34.6	63.0	72.5	87.3	61.3
Reporting Beneficiaries	125	125	125	125	500

Note : Percentages at 1.1 to 2.2 are based on the total number of reporting beneficiaries.

Source : Direct Enquiry

The total number of such families, considering all the blocks together, was 387 i.e. 77.4 per cent. Out of these

only 179 families could manage in crossing the poverty line, while others were already above the mark before getting the assistance under ISB scheme. Thus only 61.3 per cent of the beneficiary families with annual incomes below Rs.3500 were actually brought above the poverty line. This percentage was 87.3 in Shamli, followed by 72.5, 63.0 and only 34.6 in Rani ki Sarai, Maudaha and Hawalbagh.

Of the total number of sample beneficiaries, however, 60.0 per cent were actually brought above poverty line in Maudaha, only 38.4 per cent in Shamli, 23.2 per cent in Rani ki Sarai and 21.6 per cent in Hawalbagh. Thus, the impact of the scheme in bringing the people above the poverty line was little in the latter three blocks. This is especially because a large part of the expenditure incurred on the scheme in these blocks benefited only those families which were already above the poverty line before getting the assistance.

Along with the shifts in the number of families from lower to higher income groups, the average family income levels in each of the income groups has also increased as shown in the following table.

Table 6.11 : Levels and Changes in Incomes of the Beneficiary Families After Establishment of ISB Units

(Rs. per family)

Income group (Rs. per family per year)	Hawal- bagh	Maud- aha	Rani ki Sarai	Shamli	All Blocks
1. Below 3500					
1.1 Before	2413	1980	2380	2525	2253
1.2 After	2664	3014	2220	2543	2750
1.3 Increase (%)	10.4	52.2	-6.7	0.7	22.1
2. 3500 - 5000					
2.1 Before	3978	4246	3988	4245	4116
2.2 After	4232	4223	4295	4546	4321
2.3 Increase (%)	6.4	-0.5	7.7	7.1	5.0
3. 5000 or more					
3.1 Before	6935	-	7136	6529	6991
3.2 After	7637	5755	8366	7392	7669
3.3 Increase (%)	10.1	-	17.2	13.2	9.7
4. 3500 or more					
4.1 Before	5866	4246	5899	4996	5540
4.2 After	6165	4639	7616	6403	6345
4.3 Increase (%)	5.1	9.3	29.1	28.2	14.5
5. All Groups					
5.1 Before	3711	2089	4773	3909	3620
5.2 After	4736	4067	7141	6187	5533
5.3 Increase (%)	27.6	94.7	49.6	58.3	52.8

Note : 'Before' and 'After' in the table depict the situations of before the establishment of the ISB units and after that respectively.

Source : Direct Enquiry

Comparing the situations before and after the establishment of the ISB activities, we find that except for Rani ki Sarai, the average family income level in the group of 'below Rs.3500' increased by 52.2 per cent in Maudaha, 10.4 per cent in Hawalbagh, 0.7 per cent in Shamli and 22.1 per cent for all blocks together,

with a decline of 6.7 per cent in Rani ki Sarai. In the group 'Rs.3500 and more' the percentage increase in the average per family income level was 29.1 in Rani ki Sarai followed by 28.2, 9.3 and 5.1 in Shamli, Maudaha and Hawalbagh with the overall figure of 14.5.

In the final analysis of the family income levels, a few observations may be made. First, so far as the objective of reduction in poverty is concerned, the ISB scheme would have made much greater impact if the beneficiary families, assisted under ISB, were identified more carefully and only from the target group. In fact, the expenditure incurred on families which were already above the poverty line has substantially increased the cost of reduction in poverty. Second, it would be evident from table 6.11 presented earlier, that the gap between average income levels of the families in the groups 'below Rs.3500' and 'Rs.3500 or more' has also increased particularly in Shamli and Rani ki Sarai blocks, where the proportions of families above the poverty line before ISB assistance, were as high as 56.0 per cent and 68.0 per cent. (Table 6.10). Providing assistance to such families under the programme therefore tends to bring greater skewness in the distribution of income in rural areas and to give rise to the problem of relative poverty as well. Third, the poverty income norm of Rs.3500 per year was adopted right at the beginning of IRDP in the year 1978. Since then there has been substantial increase in prices. Considering the rural price index, a sum of Rs.3500 at 1978 prices would be equivalent to a sum of about Rs.6000 of the present in

real terms. It would therefore be desirable that, following the concept of an absolute poverty, the definition of the poverty line is also suitably modified.

CHAPTER VII

Conclusions and Recommendations

The present evaluation of ISB component of the IRD programme was carried out in Almora, Azamgarh, Hamirpur and Muzaffarnagar districts on the request of the Government of Uttar Pradesh, Department of Rural Development, Lucknow. It is mainly based on the survey of the selected 500 beneficiary families, one-fourth of which were drawn from each of the selected blocks, Hawalbagh, Rani ki Sarai, Maudaha and Shamli of these districts. The main conclusions and recommendations of this study are stated below :

A. Selection of Beneficiaries

1. The procedure generally adopted for selection of beneficiaries was almost the same as laid down in the guidelines. But surprisingly a good number of the selected beneficiary families were found to have levels of their annual income above Rs.3500. Lack of resources and expertise with the block officials to identify beneficiaries clearly from within the target group and hesitation on the part of the rural poor to come forward and participate in the programme were the principal reasons of this unwanted situation. Greater care should therefore be taken to ensure that the beneficiaries are selected only from the target group. In order to generate confidence among the rural poor, the agencies involved in carrying out the ISB scheme should develop closer contact with them, and necessary facilities like marketing and input supply centres should be established in

each block as envisaged in the programme. This will also help in finding out adequate number of prospective beneficiaries from the target group, as told by the officials. Moreover, since the Pradhan or Sarpanch is directly involved in selection of beneficiaries, it becomes the responsibility of the village leadership to ensure proper selection of beneficiaries and to encourage the rural poor for participation in the programme. Besides, to ensure fairness the officials emphasised that Lekhpals should also be associated with selection of beneficiaries.

B. Project Formulation and Availability of Finance

2. The projects formulated by the District Industries Centres were generally of small scale industrial units requiring higher amounts of investments and greater capabilities as compared to those required for traditional household units. Because of these reasons the projects formulated by DICs are not acceptable to beneficiary participants. On the other hand, the projects of business and service sectors, which were worked out by the BDO's, have been mostly accepted by them. Therefore formulation of schemes for the industrial units of traditional type by DICs would be essential to be suitable for the rural poor.

3. The amount of loan advanced to any of the sample beneficiary did not exceed Rs.5000 and most of beneficiaries received the same amount of loan which they had applied for. Excepting Maudaha, the commercial banks advanced major portion of the loans under the ISB scheme. A considerable number of beneficiaries, mostly in the industrial sector, however, experienced inadequacy of the sanctioned amount of loan for establishment

of or running their ISB units to fetch them a reasonable rate of return. To some extent this can be attributed to the preference of the beneficiaries for a total loan not exceeding Rs.5000, since it does not require to be backed by any security and can usually be sanctioned within a reasonable period of time. At the same time, in certain other cases the amount of loan sanctioned was less than the amount applied for, as either the NABARD specifications were not followed or the loan sanctioned was less in amount than really needed by the beneficiaries. It would therefore be necessary to modify the conditions of loaning so as to enable the beneficiaries to get finance adequately and timely. Efforts should also be made to ensure greater promptness on the part of the banks in processing the loan applications for successful implementation of the ISB programme.

4. Normally the time taken in sanction of loan ranged from 3 to 6 months. In some cases it was reported to be even more than 6 months. This problem of delay in sanction of loan can be overcome to a great extent by simplifying the procedure of loan advancement.

5. The costs of various kinds of industry/business/service units have been already specified by the National Bank of Agriculture and Rural Development. But these specifications are not adhered to in actual practice either in terms of the total cost of a project or in terms of the break-ups of the finance required for fixed assets and working capital. It may however be reckoned that the finances needed for a particular kind of

unit is likely to vary from area to area and from one size of unit to another. Considering these aspects, it would therefore be necessary to observe at least some flexibility in the amount of loan to be sanctioned for a particular type of ISB unit with regard to area and size.

C. Project Management

6. As described earlier, government have been making use of the prescribed proforma for collection of progress reports from different districts of the State. But there is no provision for reporting the progress of financial achievements of the ISB programme in the proforma. Further, separate figures of loan advanced to the beneficiaries from different banks are also not available in the progress reports. In the light of these deficiencies it would therefore be necessary to revise the proformae, and accommodate the items of 'available outlay' and 'expenditure' alongwith their break-ups for scheduled castes/ tribes.

11555

7. In the present system, both the physical and financial targets for different districts are fixed at the State level on a uniform basis. Inter-area differences however exist in terms of the availability of natural and human resources as well as organisational capabilities for their exploitation, resulting into excess of or shortfall in achievements. For better performance of the scheme it would therefore be desirable to entrust this responsibility of fixation of targets to DRDAs, with a view to taking into account the needs, potentials and organisational capabilities in different areas.

8. The District Industries Centres (DICs) on their part carried out a survey in each district for assessment of the industrial potential and formulated model schemes for small scale units rather than the traditional household units preferred by the beneficiaries. The DICs should therefore prepare the model schemes for the rural household sector which could be established and run by the beneficiaries at full capacity and finally help in deriving maximum advantage from the ISB scheme.

9. Availability of market is the most important condition for establishment and growth of economic activities, as has also been emphasised in the guidelines. But in none of the selected blocks the Rural Marketing Centres were reported to have been established. Establishment and effective functioning of at least one centre in each block is necessary for ensuring easy availability of raw materials, disposal of goods produced by the industrial units and a gradual improvement in quality of the products through gradual development of workmanship. Such centres may be established either with the help of agencies like Khadi and Gramodyog Board, Agro Industrial Corporation, U.P. Export Corporation and U.P. Hatkargha Nigam or in the cooperative fold.

D. Infrastructural Support

10. The target for training of the ISB beneficiaries was fully met in Hawalbagh and Shamli as against the severe shortfalls in Maudaha and Rani ki Sarai blocks. Only two of the 500 sample beneficiaries however reported to have been trained for establishing ISB units. The amount of stipend given to them during the

period of training was quite low, i.e. Rs.50 per month and the training was inadequate in terms of its contents and period than was required for enabling these beneficiaries to run their units successfully. Besides, the banks do not recognise this training for eligibility of a beneficiary for availment of loaning facilities. Following these, suitable modifications are invariably needed in whole of the training programme envisaged earlier.

11. Whereas it is desirable to provide all possible help and guidance to the ISB beneficiaries in setting up and running their units, only block officials are found to have taken the task seriously, besides making frequent visits to the villages. The officials of the banks, DICs and technical institutions rarely visited the villages with a view to understanding problems faced by the beneficiaries and providing them necessary help and guidance. The need for frequent visits of these officials can hardly be emphasised.

E. Project Appraisal

12. It is heartening to note that in whole of the State the beneficiaries of ISB constituted 45 per cent of the total number of families assisted under theIRD programme during the reference period 1982-85, against the target of 33 per cent. The representation of scheduled caste/tribe families among the ISB beneficiaries was slightly lower (46 per cent) than the target of 50 per cent.

13. There was a shortfall in actual expenditure of the available outlay in Almora and Azamgarh districts and an excess of expenditure over the available outlay in Hamirpur and Muzaffarnagar. As to the physical achievements, there was also a shortfall in number of ISB beneficiaries in the former two districts and an over-achievement in the latter ones.

14. The amount of loan advanced to ISB beneficiaries ranged from Rs.12.73 lakh in Rani ki Sarai to Rs.58.41 in Shamli blocks. The proportion of loan advanced for business and service sector units was as high as 66 per cent and that for industrial units only 34 per cent of the total in the selected blocks, with a variation from 16 per cent in Shamli to about 81 per cent in Hawalbagh. Similarly, 67 per cent of the total subsidy was disbursed for establishing the business and service units and only 33 per cent for industrial units in the selected blocks, with 82 per cent, the highest, in Hawalbagh and a little over 13 per cent in Shamli block.

15. The sample study shows that on an average the amount of capital expenditure incurred per unit by the beneficiaries was of the order of Rs.3150, Rs.920 and Rs.540 in the service, industrial and business sectors, with slight variations among the selected blocks. This amount was relatively low for industrial sector because in a number of cases loan was given for those industrial units which were already established and running. The average annual running expenses per unit worked out to Rs.2774 for the business sector, Rs.1304 for industrial

sector and only Rs.290 for service sector units. In view of the above and the fact that only one-third of the ISB units are required to be in the industrial sector, the ISB scheme is not likely to materialise any substantial increase in productive assets of the rural areas over a short period of time.

16. The average number of persons employed per ISB unit was 1.6 in Shamli, followed by 1.3, 1.2 and 1.0 in Rani ki Sarai, Hawalbagh and Maudaha. Although none of the sample units has generated any kind of wage employment, they have definitely provided self-employment to members of the beneficiary families and thereby helped in reducing the burden of underemployment in rural areas to some extent.

17. The ISB units were able to establish only marginal linkages with other economic activities of the area. Considering the industrial and business sector units, only about 27 per cent of their capital expenditure was incurred within the areas of their establishment, with some variations over the ISB sectors and the blocks, so far as the backward linkages are concerned. Forward linkages of the ISB units were found to be almost non-existent. These linkages can be established or strengthened only by setting up of the centres for supplying raw materials and providing marketing facility to the producers. For this purpose, preference should also be given for establishment of local raw material using industrial units to the extent desirable for growth of the ISB units.

18. A considerable number of ISB units are reported to have functioned usually for a period of 6 to 9 months during a year. The units which worked for less than 6 months were also in a good proportion; most of such beneficiaries were also engaged in other economic activities, especially agriculture.

19. So far as the beneficiaries in the industrial sector are concerned, they were successful in carrying out production according to their expectations, valued on the average, from Rs.2087 in Hawalbagh to Rs.3119 in Rani ki Sarai, Rs.8529 in Shamli and Rs.3758 for the entire sample. An accrual of average gross receipt per unit was of the order of Rs.3800 in the industrial sector, Rs.5600 in the business sector and about Rs.5350 in the service sector. The performance of industrial units can be said to have been quite satisfactory in Shamli with an average annual gross receipt of Rs.7804, while the figure for other blocks ranged from Rs.2365 to Rs.3263 only. In relative terms, the performance of ISB units in Hawalbagh was the poorest among all the blocks.

20. ✓The implementation of the ISB scheme brought about changes in principal occupations in 65 per cent cases, of which about 93 per cent were either marginal farmers or agricultural labourers. Thus, if the ISB scheme is carried out successfully, it would bring about a definite and significant positive change in the occupational structure and socio-economic profiles in the rural areas.

21. The amount of net annual income accrued to beneficiaries from ISB units averaged to Rs.5139 and Rs.4006 per unit in Shamli and Rani ki Sarai, with a little over Rs.1800 in each of the remaining two blocks. The contribution of these units to total incomes was of the order of 83 per cent in Shamli followed by 56 per cent, 45 per cent and 38 per cent in Rani ki Sarai, Maudaha and Hawalbagh blocks respectively. As a result of ISB scheme, a considerable increase was found in the income levels of the beneficiary families. Generally, the beneficiaries, who were able to manage their ISB units with greater commitment even at the cost of foregoing some part of their incomes from non-ISB occupations, gained more in terms of increase in their family incomes. For a greater success of the ISB scheme, it is therefore necessary to generate more confidence among the poor families, towards participating in the programme. In this connection, it would be necessary that agencies shouldering the responsibility of carrying out the ISB programme take initiative to develop greater contacts with the village people, convince them about the advantages of and the facilities available for establishing the ISB units, help them to successfully operate and take care of the infrastructural gaps especially of the rural marketing centres.

22. Before taking assistance under the ISB scheme, a little over 58 per cent of the beneficiary families had incomes below the poverty line of Rs.3500 per family per year. Of these, 61 per cent were enabled to cross the poverty line. The remaining 42 per cent families were already above the mark at the time of getting assistance under the ISB scheme.

23. The sample study also indicates that the beneficiary families, which were relatively better off, could run the units in a better way, as compared to those having their initial incomes below Rs.3500. The selection of beneficiaries having incomes above this level has thus led to two undesirable consequences. First, as the better off families could earn more from their ISB units, the income gaps between those below the poverty line and the better off families have tended to increase. Secondly, a significant amount of expenditure incurred in subsidising the enterprises of the families having incomes above Rs.3500 has been wasteful and has substantially increased the cost of reduction in poverty. Adequate care should therefore be taken in identification of the beneficiaries.

24. The poverty income norm of Rs.3500 was adopted long back in 1978. Since then there has been substantial rise in prices. Considering the rural price index, a sum of Rs.3500 at 1978 prices would be equivalent to a sum of about Rs.6000 of the present in real terms. It would therefore be desirable that, following the concept of absolute poverty, the definition of poverty line is also suitably revised.